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U. S. Lodging Industry

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1980 Edition

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The U.S. Lodging Industry—Today and Tomorrow

by John D. Lesure and Randell A. Smith
Research, Development and Education Division
Philadelphia, Pennsylvania

In 1979, room occupancy in the United States was 71 percent, down slightly from 1978, according to Laventhol & Horwath's monthly *Trend of Business in the Lodging Industry*. Total sales rose 12 percent, a rate of increase that was 25 percent lower than the sharp rise between 1978 and 1979.

For the first seven months of 1980, room occupancy was 70 percent, down nearly 3 percent from the same period in 1979. Total sales were up 13 percent, the same rate of increase recorded for the first seven months of 1979.

Lodging and the recession

The performance of the lodging industry in past recessions is not necessarily a reliable guide to the impact of the current downturn. In the chart on page 4, the periods from the peak of the economic cycle to the trough, or the end of the recession, are indicated by the shaded areas. The plotted lines show the trends of the indexes of Gross National Product (G) and Lodging Industry Sales (L) expressed in constant 1972 dollars. Projections for 1980 and 1981 are based on a component of the most recent estimates of GNP. Although the peak and trough of the current recession have not been officially designated, we have shown the beginning in the first quarter of 1980 and the end in the third quarter, as reported recently by government economists. If those dates are accurate, this recession will be one of the shortest in history; however, many economists expect the recovery to be quite slow with the possibility of another downturn in 1981.

The lodging industry recovered very slowly from the recession of 1969–1970, lagging several months behind the rest of the economy. However, sales rose rapidly in 1971–1972, and the recession that began in late 1973 had only a moderate impact on the industry; in fact, the decline in room occupancies in 1974 can be attributed primarily to overbuilding.

In the first months of 1976, real lodging industry sales grew more rapidly than GNP, due at least partly to travel during the Bicentennial Year. That trend was duplicated in the latter part of 1977 and in 1978. By the second half of 1979, real lodging sales had begun to decline, a trend that continued into 1980. If the GNP improves in 1981, lodging sales are expected to show some moderate growth.

The lodging industry is not immune to recessions, but the impact depends on the reasons for the downturn and the segments of the economy most affected. Business travel generally is reduced during downturns, but pleasure travel is not always affected. In recent months, pleasure travel has been curtailed because of the high price of gasoline and the increased cost of alternate methods of travel; as a result, lodging sales have dropped more rapidly than the economy as a whole. If the recession is over, business travel will begin to recover, but the availability and cost of fuel for transportation in the next several months is the key to whether pleasure travel will increase and lodging sales again outpace GNP.

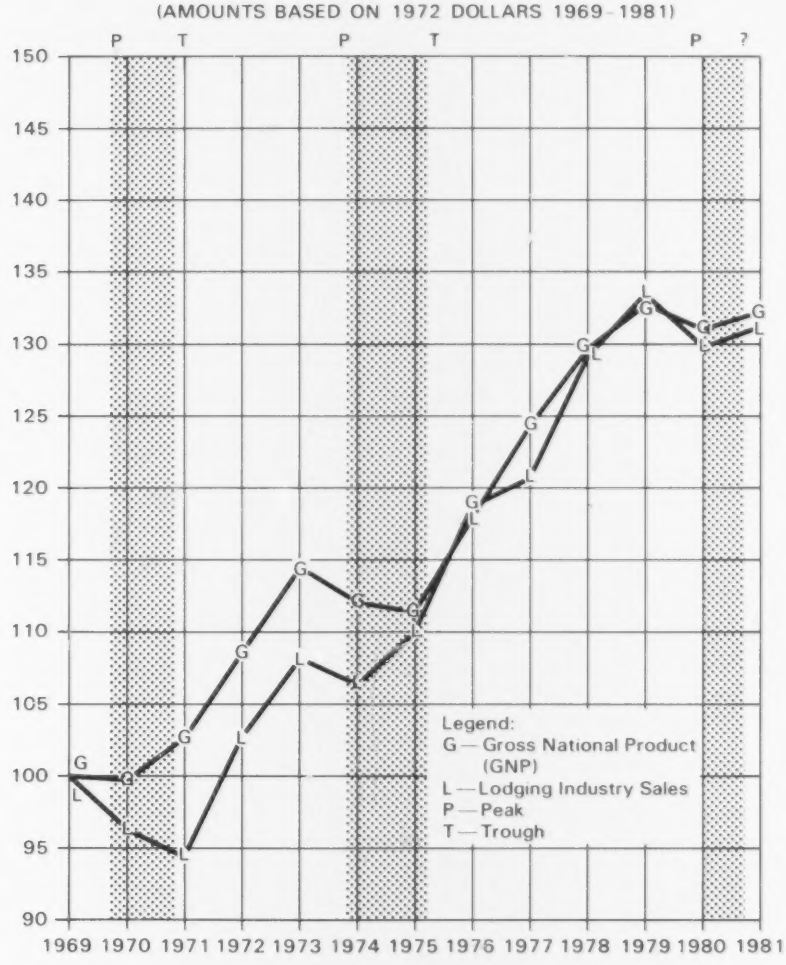
Outlook

Laventhol & Horwath estimates that total lodging industry sales in 1980, including gaming revenue, will exceed $25 billion, although room occupancy for the year is expected to be 3–4 percent below the 1979 level. The outlook is for improved lodging demand beginning in the second quarter of 1981

and resulting in an increase of 3-4 percent in the number of rooms occupied. Total sales are expected to increase 10-12 percent.

The comments from our offices indicate considerable growth and development in the industry, both underway and planned. Although the recession certainly has been felt in some regions of the country, particularly the Midwest, construction and renovation of properties is strong in a number of cities. Expansion in Florida, Texas and other Sunbelt states appears to be pacing the industry, but that is not the only region experiencing strong growth.

Changes in the Index of Lodging Industry Sales During the 1970s In Relation to GNP



Source: U.S. Department of Commerce; Laventhol & Horwath estimates.
Note: 1980 and 1981 projected, based on most recent estimates.

Several cities in the North, particularly Boston, New York and Minneapolis, have major new properties entering the market.

The introduction of casino gaming in Atlantic City has created a unique situation in which lodging facilities cannot be constructed fast enough to meet the rapid growth in demand. By the end of 1981, there should be a total of 7 or 8 casinos in operation. Rapidly rising construction costs and the scarcity and cost of financing are beginning to take a toll on some of the Atlantic City projects, but the long-term growth of this market should not be hampered severely. Over the short term, the earnings of some properties have already begun to weaken, but as management becomes more experienced in operating casinos within the constraints dictated by the State of New Jersey, operating performance should be enhanced.

The problem of finding sufficient financing for lodging establishments is not unique to Atlantic City. A number of L&H's offices commented that this is an increasingly difficult task; in several instances, proposed properties that were otherwise feasible were unable to proceed with construction. Major financial institutions have expressed some renewed interest as a result of the industry's ability to raise its rates in response to rising costs. This hedge against inflation has helped the industry during the past several years, enabling operators to maintain profit margins. However, there is increasing consumer resistance to higher rates; because hotels and motels are only a part of the overall cost of traveling, higher prices in the other components, especially airfares and menu prices, are also causing considerable difficulties. Therefore, while flexibility in setting rates is definitely an attractive feature of the industry, long-term growth will still hinge on the ability of lodging establishments to meet the demands of the market. New and innovative techniques for satisfying the requirements of groups, tourists and business travelers are and will continue to be necessary to assure growth and vitality. Teleconferencing networks are a good example of how the latest technology can be applied to meet these demands. Sophisticated management information systems for controlling costs, planning and budgeting also are being introduced to assist management in properly identifying areas for improvement.

In general, it appears that development within the industry is keeping pace with demand. While occupancy levels are expected to decline over the short term, demand should grow during the next several years to absorb the increase in supply. A number of cities have begun construction or entered the initial planning stages on major convention centers, which should spur additional demand. Management is becoming more sensitive to the variables that affect business activity within the lodging market by closely tracking trends in occupancy, sales and average rates. While the economy, and in particular energy policies, will continue to plague the industry, the decade of the 1980s holds both opportunity for exciting growth and uncertainty about demand from business and tourists. ■

Comments from Around the Country

From Anchorage

The Anchorage lodging industry entered the 1980 summer tourist season somewhat grimly, following another winter of below average occupancy. Last year's addition of more than 600 first-class hotel rooms in downtown Anchorage, an increase of approximately 21 percent, far exceeded the overall demand for rooms.

Although room rates have increased, sales per room sold have, in some cases, remained the same or declined due to heavy competitive bidding for contract business.

In addition, the recession has had a negative impact on the tourist market. Early reports from the major tour companies indicated a substantial drop in 1980 summer bookings. Although recent reports are more optimistic, tourism from the "Lower 48" is expected to decline until recessionary pressures are relieved.

Hotel food and beverage sales have not suffered to the same extent as the lodging industry in general. Sales from first-class restaurants, which also attract a substantial local market, have remained strong.

Current and future marketing plans for the Anchorage lodging industry include increased emphasis on off-season (winter) tourism from the Japanese and European markets.

Smaller hotels outside the downtown area (which cater primarily to business travelers) have not suffered from the recession to the same extent as those hotels that rely more heavily on tourism.

Additionally, Project 80s, the newly-enacted, multimillion dollar expansion program, should provide an overall stimulus for the business traveler market. Once completed, projects such as a convention center should have a significant impact on the overall Anchorage hotel industry.

Gay B. Vann
Audit Staff Accountant
Anchorage

From Atlanta

The Atlanta lodging market continues to grow and prosper. The continuing influx of new business and industry throughout the metropolitan area has resulted in the highest area occupancies since the early 1970s. The 1979 area occupancy was estimated to be in the mid-70 percent range, while the average room rate increased about 14 percent over the 1978 level.

Certain sectors of Atlanta have exhibited even stronger growth. The estimated 77 percent aggregate occupancy achieved by major downtown hotels is largely attributable to the ongoing development of Atlanta's convention industry. The four-year-old Georgia World Congress Center had its best year ever in 1979, attracting more than one million convention and trade show delegates. The recently announced expansion of the center will effectively double the size of the 350,000-square-foot facility. This, along with the construction of Georgia Pacific Corporation's new 1.2 million-square-foot, 52-story headquarters and the continued revitalization and development of the downtown core, has spurred numerous hotel development proposals in the central business district.

The existing 1,000-room Hyatt and 470-room Omni hotels are planning additions of 400 and 120 rooms respectively. Developer John Portman has announced plans for a 1,500-room hotel as part of an extensive expansion of his Peachtree Center office and retail complex. Georgia Pacific has purchased property adjacent to its new corporate headquarters for possible use as a hotel site. British Caledonia Airways is also actively studying the Atlanta hotel market. Developers are proceeding with extreme caution, however, as memories of the 1975-1976 debacle are still vivid. It is unlikely that imprudent overbuilding will reoccur.

Hotels in the airport area continue to do well, achieving an estimated 76 percent aggregate occupancy in 1979 while maintaining average room rates that increased 15 to 17 percent over 1978 levels. The new Midfield Terminal at Hartsfield Atlanta International Airport, which opened in September 1980, is the largest facility of its kind in the world. The anticipated increases in passenger volume and accelerated development of the peripheral areas of the airport lead us to project a doubling in the guest room supply during the next three to five years.

Most notable among the new hotel developments in the airport area is a 650-room Marriott scheduled to open in late 1980. A 232-room Holiday Inn also is under construction, and plans have been announced for a 500-room Ramada Inn and a 300-room addition to the existing Sheraton Hotel.

Hotel development activity also has been strong in northwest Atlanta. In May 1980, Marriott opened its fourth hotel in Atlanta, an 11-story, 305-room property in the Interstate North Office Park. Other developments currently under construction in this sector include a 224-room Hilton Inn,

a 294-room Holiday Inn and a 212-room Guest Quarters. Trammel Crow has proposed a 500-room hotel as part of a major mixed-use development across from the Cumberland Mall. A 100-room addition to the Marriott at Perimeter Center opened this past summer.

Overall, hotel operators appear to have been successful in compensating for recent short-term declines in commercial and leisure travel through increased solicitation and penetration of the regional and national group meeting markets. Atlanta's emergence as an international city also has contributed to the economic stability of the community. The outlook for the decade ahead: cautiously optimistic.

William Moeckel
Manager

Mark Woodworth
Consultant
Atlanta

From Atlantic City

Although the development of new casino-hotels has slowed due to construction and financing delays, the future of Atlantic City is as bright as the beach on a sunny day. Two new casino-hotels, Caesar's Boardwalk Regency and Bally's Park Place, opened in 1979, bringing the total number of available casino-hotel rooms to 1,789 and the total available gaming area to 169,000 square feet. The $150 million Caesar's Boardwalk Regency and the $300 million Bally's Park Place represent substantial investments in Atlantic City. Combined with Resorts International, these three properties had a total 1979 casino win of $315,480,530, which is significant considering that the Boardwalk Regency opened on June 26, 1979, and Park Place opened on December 29, 1979. The average occupancy for the three properties in 1979 was about 71 percent.

Since 1976, when casino gaming was legalized, many hotels have closed to make way for new casino-hotels. This decrease in the number of available hotel rooms has caused a decline in convention business. With the scheduled opening of three new casino-hotels in 1980 (The Brighton, Golden Nugget and Holiday Inn-Marina), we expect convention demand and city-wide occupancy to show substantial improvement.

Numerous projects have experienced delays in financing due to the tight money market and the fact that casino gaming traditionally has not been acceptable to conventional lending sources. As Atlantic City grows and as the financial community becomes more knowledgeable about casino gaming, we expect fewer financing delays. Several projects are expected to receive financing from foreign sources.

Atlantic City probably will experience more competition on a regular basis in the coming years. However, the substantial investment commitments, the strength of the regional and national convention markets, and Atlantic City's location within 300 miles of more than 50 million people indicate that it will remain the leader in casino gaming on the East Coast.

Charles Hoffman
Partner-in-Charge
Atlantic City

Peter R. Tyson
Partner
Philadelphia

From Boston

The Greater Boston lodging market had a very good year in 1979, with increases over 1978 levels in every major revenue producing department. Average annual occupancy increased 6 percent, totaling about 79 percent for the year. Room sales rose 18.6 percent and the average daily room rate increased nearly 16 percent for the year. Overall food sales increased almost 15 percent, while food costs decreased about 2 percent. Similarly, beverage sales increased 12.6 percent and costs decreased approximately 2 percent.

Demand from convention delegates currently is second to that from business visitors, but the prospect for growth in the convention market is good. Boston has a large number of professionals relative to its population size and is a center of modern manufacturing technology. Large groups scheduled to meet in the city during the period from 1979 to 1985 will require more rooms than are currently available. The room supply situation will become even tighter with the addition and expansion of convention facilities. Expansion plans have been proposed for the John B. Hynes Veterans Auditorium. According to officials of the Greater Boston Convention and Tourist Bureau, the city may need a second major convention center in the 1980s to remain competitive with other cities. By 1990, the number of nights spent by convention delegates in Boston could almost triple.

An increasing number of tourists are visiting Boston, more of whom are staying in hotels. Between 1975 and 1979, the number of tourists arriving in Boston rose at an annual rate of 9 percent. Although 1979 was a banner year for tourists, reports indicate that 1980 will be even better. In addition, many foreign tourists, particularly from Europe, are visiting Boston each year due to the devaluation of the U.S. dollar.

In response to the potential growth in demand, the attractiveness of Boston and the improved outlook for the lodging industry, 20 new hotels and additions to existing facilities have been proposed for downtown sites within the past year. These projects would comprise a total of 7,860 rooms; however, the probability of development is small for most of them. Three of the 20 projects currently are under construction; seven others have a high probability of completion, and the future of the remaining projects is in doubt.

The natures and locations of these projects reveal the diversity of the market:

- A hotel proposed at Logan Airport would serve business visitors and tourists.
- Hospital visitors, as well as those with business in Government Center or the financial district, would be served by a hotel proposed for the West End.
- Four other projects also are designed to meet the needs of business visitors to Government Center and the financial district.

- Three hotels proposed in the waterfront area would capture tourist trade.
- The theater district and the Boston/Brookline Medical Complex would be served by three new hotels.
- Three hotels have been proposed for Back Bay in the vicinity of Copley Square, Prudential Center and Hynes Auditorium, focusing on the market in Boston's convention center and the many cultural, educational and religious institutions in the area.
- A proposed addition to Kenmore Square would serve Boston University and Fenway Park.
- A new hotel at the redeveloped Charlestown Navy Yard would house tourists.
- The extraordinary prospects for development of the Four Point Channel for commercial, industrial, port, recreational and residential use have attracted proposals for a hotel, a hotel-convention center and a hotel ship.
- Boston's renowned Ritz-Carlton, in the downtown area west of the Commons, is building an 80-room addition.

Several hotels became operational in the outlying areas of Boston during 1979, including the Hilton Inns in Natick, Massachusetts and Merrimack, New Hampshire. In addition, the Koala Inn in Woburn and the expansion at the Colonial Hilton in Wakefield have entered the market. Projects proposed for development through 1985 include a Marriott in Burlington, a Holiday Inn in Framingham, and motor hotels in Hyannis and in North Conway, New Hampshire.

Future demand for hotel rooms in the Greater Boston area will be influenced favorably by national trends as well as the attractiveness of the city and increasing business activity. Between 1977 and 1985, an increasing percentage of the nation's population will be in the prime travel age group (25 to 44), and their combined income will increase about 80 percent. Boston should attract a large share of this growing market.

The growth in the development lodging operations throughout New England has paralleled that of 1978; several proposals have been made for Providence, Rhode Island, Manchester, New Hampshire and Portland and Bangor, Maine. Redevelopment and new construction activity, particularly in the downtown areas, have attracted state and federal funds, spurring economic and financial growth for these markets. The number of new hotel developments proposed throughout New England in 1980 is expected to exceed the 1979 level despite higher interest rates and construction costs.

Although gasoline prices have increased more than 60 percent since the summer of 1979, resort operators in and around Cape Cod, New Hampshire, Vermont and the Maine coast should experience record operating levels. As long as gasoline supplies are adequate, the price probably will not deter travelers from enjoying their vacations. We anticipate increases in room supply, continued strong growth in tourism and other demographic growth within the New England lodging market in 1980.

Peter D. Keim
Senior Principal

James F. Downey
Supervisor
Boston

From Charlotte

The lodging market in Charlotte continues to prosper. Area occupancies for major hotels reached the high 70 percent range, while average room rates increased 12 to 18 percent during 1979. The stable supply of guest rooms and the continuing movement of major businesses and industries into the financial capital of the Carolinas have stimulated the interest of several major hotel companies. Marriott, Loews, Omni, Western International and Hyatt are among the companies looking at Charlotte as a site for potential development.

Legislation legalizing the purchase of liquor by the drink, which passed in late 1978, has had a positive effect on Charlotte area hotels and restaurants. While local hotel operators do not attribute increased occupancies to their ability to serve liquor, they have been able to increase profitability and expand menu concepts with the availability of alcoholic beverages. Local restaurant operators report the same phenomenon.

A proposed lodging tax, which will become effective by 1982 if enacted by the state legislature, would provide the Charlotte Convention and Visitors Bureau with adequate funding to market the city to the relatively untapped national and regional group meeting markets.

The expansion underway at the Charlotte airport, scheduled for completion in 1982, will further enhance the attractiveness of Charlotte to northern industries and businesses seeking to relocate and expand in the Sunbelt region. This has made Charlotte one of the more attractive hotel development markets in the Southeast and leads us to predict that the 1980s will be a decade of strong growth.

William J. Spears
Partner
Charlotte

Mark Woodworth
Consultant
Atlanta

From Chicago

Although the weather finally relented and gave Chicago a bearable 1979-1980 winter, the economy has not been as kind. While 1979 was characterized by higher occupancies and significant increases in average rates, early indications for 1980 are not as favorable. First-quarter area occupancy was slightly above the somewhat depressed level of 1979; however, average rates have increased nearly 18 percent compared with the same period last year.

The mild winter enabled the downtown area to rebound from 1979. Occupancy was up significantly in the first quarter of 1980, due to the increased number of conventions and meetings and improved attendance. During 1979, this market was hampered severely by the weather.

Decreases in occupancy in the suburban areas are more reflective of

present economic conditions. It is anticipated that Chicago and much of the Midwest will experience a longer recovery from current economic conditions than the rest of the nation because of the area's strong industrial base.

During 1979, substantial commitments were made by developers for projects in the downtown and suburban areas. Significant office development is underway in the Loop and the suburban area near Woodfield Mall. Another suburban area expected to experience significant growth is Naperville. Suburban office space vacancies are in the 14 percent range and prelease commitments in new developments are averaging 40 to 50 percent. Absorption is projected at 1.4 million to 2 million square feet of space per year. In the downtown area, where seven million square feet of space are under development and vacancy rates are very low, prelease commitments are averaging about 70 percent. In addition, some people are projecting a shortage of prime downtown office space by 1982. This bodes well for the hotel industry.

Hotel development is following the development of office space. Five new properties, ranging in size from about 200 to 500 rooms, are being built in the Schaumburg area. These include Hyatt, Stouffer's, Marriott, Ramada and Best Western hotels. Intense competition is expected when the new facilities open. In addition, several other properties are being considered for this area.

Naperville is also a site of hotel development, including a 160-room Hilton and a 300-room, group-oriented Sheraton. Other major chains are eyeing Naperville as a potential location with good prospects for growth.

A firm commitment has been made on the flagship Hilton Hotel to be built in the downtown area. This is a key project in the North Loop development plan and is expected to generate further development in that area. Hyatt opened its 1,000-room addition in time for the National Restaurant Show, and the Radisson has completed renovation. Interest in satisfying demand from the luxury market continues. Hyatt has announced that it will renovate its Water Tower property to compete in this market. In addition, the old Lake Shore Drive Hotel is being converted to a luxury property, which will be known as the Mayfair Regent.

Although the outlook for the immediate future of the Chicago area lodging industry is not optimistic, the long-term potential is still considered to be very good. When credit markets loosen up, projects that have been put on hold are expected to be built, along with other developments.

Douglas W. Miller
Manager
Chicago

From Cleveland

The lodging industry in Cleveland basically has been depressed since May 1979, when there was a strike by one of the major airlines. The energy crisis affected many areas during June and July, and occupancy was down 3 to 10 points. Late summer and early fall were marked by a short-lived, minor upsurge of business, but by late October and early November, many properties had begun to feel the effects of the recession.

In general, occupancy declined 3 to 10 points during the 12 months ended June 30, 1980, particularly in suburban properties. In the central business districts of Cleveland and other major Ohio cities, the decline was somewhat less severe depending, in general, on the amount of convention business that had been booked in advance. The occupancy decline was offset by the substantial increase in rates, averaging between 13 and 15 percent.

This past summer, tourism in Ohio showed signs of increasing between 12 and 17 percent. Vacationers were expected to stay closer to home, exerting a positive influence on the Ohio lodging scene.

Inflation is still of prime concern to most operators, who cannot always act fast enough to cover escalating expenses, energy costs and wages. Nor is the market always elastic enough to provide increased revenue. Due to its heavy reliance on the automobile industry, Ohio has been hit particularly hard by the recession and operators have had an even harder time increasing their rates than in the past.

Restaurants also are experiencing a decline in revenue. Those located in hotels and motels are receiving less traffic from local communities than they have in the past.

While the outlook seems bleek, major operators are resigned to these economic swings and are planning future growth and development. There was a great deal of construction and planning in the first half of 1980, indicating that developers also have decided that this is a good time to plan ahead.

Michael L. Sturges
Senior Principal
Cleveland

From Dallas

The Dallas lodging market continued to prosper in 1979, with all indications that the results for 1980 will be equally strong. Although city-wide occupancies averaged 69 percent during 1979, compared with 73 percent during 1978, total occupied rooms increased almost 5 percent during this period. Approximately 1,400 new rooms were added to the market during 1979, including the 900-room Loews Anatole Hotel; an additional 3,800 rooms currently are under construction. The first three months of 1980 indicated that the new additions to the supply of rooms have been absorbed without materially affecting market occupancies.

The average room rate in Dallas rose from $30 in 1978 to $36 in 1979, an increase of 20 percent. This rate increase reflects the addition to the market of new hotels, which require higher rates to justify their significantly higher construction costs. The room rate continued to increase through the first quarter of 1980, averaging about $40.

Food and beverage sales are also increasing significantly, due in part to the entry of the Hyatt Regency and Loews Anatole Hotels into the market. During 1979, food and beverage sales

rose 23 percent over 1978; during the first quarter of 1980, sales increased 36 percent over the same period in the previous year.

The outlook for the Dallas lodging market appears favorable, with several significant developments contributing to its growth:

- The Dallas Convention Center will undergo a major expansion, including the addition of 170,000 square feet of meeting and exhibit space by 1984. Long-term plans include a new 71,500-square-foot exhibit hall and a 5,000-seat arena.
- Dallas Market Center now comprises 7.2 million square feet of space contained in six buildings following a recent 1.7 million-square-foot expansion of the World Trade Center and a 500,000-square-foot expansion of the Apparel Mart. Future expansion plans include a 300,000-square-foot exhibit hall, a twin building to the 3.1 million-square-foot World Trade Center, an international conference center, an athletic center and a 1,000- to 1,500-room luxury hotel.
- A Foreign Trade Zone that will be the largest in the world is currently under development on 250 acres of land at the Dallas/Fort Worth Regional Airport. This should significantly increase the number of international companies conducting business in the Dallas/Fort Worth area.
- Approximately 10,000 acres of land currently are being developed for multi-use projects at the Dallas/Fort Worth Airport.
- Between 1978 and 1979, total occupied office space increased more than five million square feet or about 20 percent.

The energy situation apparently has not had a significant effect on the Dallas lodging market. Increased gasoline prices have had little impact on demand for rooms and are not expected to have any in the future. However, if the public perceives a declining availability of gasoline, there might be some effect on transient lodging demand.

The Dallas lodging market is expected to continue its rapid growth in the foreseeable future, particularly in the Dallas/Fort Worth Regional Airport sector and the North Dallas/LBJ corridor.

Frank St. Clair
Manager

Caren J. Whiteman
Supervisor
Dallas

From Denver

The Denver lodging market continues to grow as the area's economy diversifies. The supply of lodging accommodations is responding well to this changing demand. The 540-room Fairmont opened during 1979, becoming the first of a new breed of hotels to enter the Denver market. The 625-room Marriott-Denver City Center currently is under construction and will occupy the first floors of the new Arco Tower. A 545-room property affiliated with Western International is being planned as a component of Tabor Center, a large, multi-use development. The center will have 200,000 square feet of retail space and more than 160,000 square feet of office space. Several other projects are being discussed for development in the downtown area during the early 1980s.

Suburban hotel development is keeping pace with Denver's growth. New properties have opened or are under construction in the southeastern suburbs. Other areas are becoming ripe for development as the demand for office space throughout the greater metropolitan area continues to grow.

Foreign capital and development teams are increasingly evident in new office and hotel developments in the mountain regions. Canada appears to be the major source, attracted by the area's rapid growth potential.

In general, occupancies and average rates increased sufficiently during 1979 to compensate for inflation. Rising food, labor and energy costs continue to be the major concerns of operators. Creative menu changes and more efficient scheduling and service requirements are being implemented in most existing properties. Newer properties and those in the construction or planning stages are incorporating energy conservation and efficiency technologies into their designs. For the most part, however, cost increases are passed on to the consumer without much apparent resistance.

Just as energy initiated Denver's economic growth, it has created boom town economies in many smaller Colorado and Wyoming communities located near oil, coal and uranium deposits. Cautious expansion and development of lodging operations in these areas are anticipated throughout the decade, as political decisions made in Washington have a direct impact on their economic growth potential.

During the summer of 1979, resort operations were affected negatively by the rumors of gasoline shortages. However, 1979 was another record year for ski resorts in the Rockies. As a result, development is underway at nearly every ski area. Developers are banking on skiing as a recession-proof industry.

Gary S. Schettl
Manager
Denver

From Detroit

The lodging industry in Detroit recently had both bad and good news. On a positive note, the Republican National Convention held in July focused a great deal of attention on the city, helping the Metropolitan Detroit Convention and Visitors Bureau to generate a substantially larger number of future bookings.

Since last year, room rate increases have resulted in higher room sales. In turn, room sales per occupied room (average rate) are higher, ranging between 15 and 20 percent.

On the negative side, occupancies have declined somewhat – as much as 10 percent in some cases. This is due in general to the recession and particularly to the sharp decrease in automobile sales, which has profoundly affected the state's auto industry. In areas of the state that are less dependent on automobile sales, the lodging industry has maintained more stable occupancy levels.

The seasonality of lodging demand in Michigan continues to limit overall hotel utilization. Major metropolitan areas other than Detroit have yet to develop significant levels of urban tourism, therefore weekend and holiday occupancy levels are generally low. In an effort to improve tourism in the Detroit area, a proposal has been made to legalize casino gambling in that city.

Although new lodging developments are under construction in many of Michigan's major lodging markets, high mortgage rates and the limited availability of funds have tended to limit development somewhat.

John Leary
Manager
Detroit

From Fort Worth

In 1979, the Fort Worth lodging market continued the growth it showed in 1978. This growth is reflected in the number of hotels that are being developed, expanded or renovated.

- The Hyatt Regency Fort Worth, Woodbine Development Corporation's 530-room renovation project, is scheduled to open in late 1980 or early 1981.
- The 508-room Americana Hotel-Tandy Center, being developed by Bass Brothers Enterprises, is scheduled to open in the spring of 1981.
- The 260-room Fort Worth Hilton is in the midst of a $10 million expansion project that includes a 12-story tower housing about 200 guest rooms. The addition is expected to open in the summer of 1981.
- The 308-room Best Western-Convention Center Hotel opened in August 1980.
- The 210-room Ramada Inn-Central is in the process of adding 115 rooms.
- The 53-year-old, 247-room Blackstone Hotel and the 285-room Kahler Green Oaks are undergoing renovation.

These additions to the lodging market have placed Fort Worth in a new, more competitive position. Of the more than 1,650 new hotel rooms, about 1,540 are in the central business district. In addition, plans have been announced for expanding the Tarrant County Convention Center's exhibit hall by 100,000 square feet.

With three million square feet of office space under construction, plans for an expanded convention center and the increased room supply, the outlook for the lodging industry in Fort Worth is very positive.

Gregory Edwards
Manager

John A. Montgomery
Senior Consultant
Dallas

From Houston

The Houston lodging market showed strength during 1979 despite the summer gasoline shortage and the national economic slowdown in the fourth quarter. Although citywide occupancy declined to 71.5 percent from the 1978 level of 74.8 percent, the strength of Houston's lodging market was reflected in the growth of area hotel supply and the strong increase in average room rates.

Hotel construction boomed during 1979, with the largest addition to the hotel room supply since 1972. Seven hotels added more than 1,500 rooms to the competitive supply, a dramatic increase of about 9 percent. This construction boom has continued in 1980; more than 2,600 rooms currently are being added to the Houston market in the following projects:

- The 405-room Marriott Brookhollow, developed in the near northwest area of Houston.
- The 300-room Houstonian Inn executive conference center.
- The 298-room Ramada Inn-Northwest Crossing, which will be the first major lodging facility on U.S. 290.
- The 604-room Adam's Mark Hotel, which will be the first convention hotel developed in Houston since 1972.
- The 308-room Westchase Hilton Inn, located in the immediate vicinity of the Adam's Mark Hotel.
- The 363-room Hotel Meridien Houston, which represents the first hotel development in Houston's central business district since 1972.
- The 140-room Holiday Inn North and 191-room Howard Johnson's Beechnut, which opened their doors to the public during 1980.

Construction recently began on several other projects, including Four Seasons' 383-room Inn on the Park, the 442-room Four Seasons Hotel at Houston Center and a 250-room Granada Royale. In addition, many projects are in the planning stages; these would add several thousand rooms to the area market.

The strength of Houston's hotel market is reflected by the diversity as well as quantity of development and the fact that it is taking place in nearly every sector of the city.

Those hotels that opened in 1979 contributed to the overall increase in the citywide average room rate. At year-end, the average rate was $36.28, an increase of about 17 percent over 1978. More important, average room rate increases showed little sign of softening during the first quarter of 1980; the citywide average of $40.48 for that quarter represented an increase of more than 21 percent over the same period last year. Average room rates are expected to maintain this growth throughout 1980, along with total sales, which currently are exceeding 1979 levels by more than 25 percent.

Commercial development continues to flourish in Houston's downtown core and West Loop area. This activity has been the main impetus for the development of several five-star hotels scheduled to open by 1983. Laventhol & Horwath recently completed a study for the City of Houston, recommending the construction of a new convention center containing a minimum of 500,000 square feet of space. Several hotel chains with plans for major hotel projects are anxiously awaiting the city's selection of a site.

It is difficult to predict what effects the energy shortage and recession will have on the Houston lodging industry. Although hotel development slowed during the second quarter of 1980, the strength of Houston's economy

prevented the slowdown from being as severe as anticipated. The projected total citywide occupancy for 1980 is 68 percent, with a corresponding average room rate in excess of $42. With strong growth projected in virtually all demand segments during the next few years, the good health and prosperity of Houston's lodging industry should continue into the 1980s.

John Keeling
Partner
Houston

From Indianapolis

The Indianapolis area lodging market experienced a decline during 1979 and early 1980; occupancies decreased by more than 4 percent. The tourist demand in this city is closely related to the levels of interstate highway traffic. Due to this factor and the city's significant commercial involvement in the auto industry, the lodging market in Indianapolis is more recession-prone than that in many other areas. On the other hand, during 1979 citywide average rates increased almost 16 percent over levels for the previous year.

Looking back over the past decade, the competitive supply of rooms in the area increased by an average of more than 18 percent annually, while citywide occupancy was virtually unchanged. Average rates increased at an average annual rate of more than 12 percent.

In 1979, there were two major additions to the room supply: the 200-room Holiday Inn-North, which opened in September and is already considering a 200-room addition, and a 100-room addition to the existing Sheraton West Hotel (Airport), which opened in November.

The Indiana Convention and Exposition Center in Indianapolis has drawn up plans for an addition of more than 125,000 square feet. This would nearly double the size of the facility and would probably have a major, positive impact on lodging business in the area.

David Voight
Supervisor
Chicago

From Kansas City

Average occupancy for leading Kansas City area properties rose only slightly in 1979 to 71 percent, a 1 percent increase over 1978. Occupancy increases experienced during the late 1970s have tapered off, reflecting the fact that several properties with annual occupancies exceeding 80 percent have reached capacity constraints. In addition, a slight decline in downtown convention activity had an adverse effect on the occupancies of lodging properties that rely heavily on the convention market. The overall, weighted average room rate attained in 1979 increased about 13 percent over the 1978 level.

Operators anticipated increased competition during 1980, due to the opening of the 750-room Hyatt Regency at Crown Center on July 1 and the short-term declines in demand anticipated as part of the general economic slowdown. Accordingly, short-term declines in occupancy are expected as the new rooms are absorbed in the market. With softened supply and demand conditions, operators will find it more difficult to pass along operating cost increases in the form of higher room rates.

Despite the short-term outlook and localized soft market conditions, interest in additional lodging development continues, most notably in the southwest metropolitan area. Construction of a 350-room Doubletree Inn began in 1980 and numerous other projects are rumored in that area. Kansas City, Missouri civic and business leaders continue to encourage the development of a major hotel in the downtown area adjacent to convention facilities.

The early 1980s should bring slightly moderated occupancies, reflecting the additions to the room supply. The extended outlook depends largely on the proper timing and planning of further additions to the supply and their responsiveness to the evolving needs of the Kansas City lodging market.

Jeffrey K. Marvel
Manager

John R. Weeman, Jr.
Supervisor
Kansas City

From Knoxville

The estimated annual occupancy for the Knoxville area lodging market in 1979 was 70 percent, a decline of about five points from the 1978 level. This decrease in demand was due primarily to the reduced level of automobile travel resulting from real and perceived gas shortages during the spring and summer of 1979. Two properties with a total of 295 rooms, the Admiral Benbow and the Quality Inn, were lost due to major interstate highway rerouting and construction in anticipation of the 1982 World's Fair. The only addition to the Knoxville area lodging market in 1979 was a 40-room expansion of the Howard Johnson's Motor Lodge-North.

Preparations are well underway for the International Energy Exposition/World's Fair, which will be held in Knoxville from May to October 1982. To accommodate the more than 12 million visitors expected to attend the exposition, several new facilities will be developed in the downtown area. These include a 300-room Hilton Hotel currently under construction, and a 200-room Quality Inn on Summit Hill scheduled to begin construction soon. Both facilities are expected to open in 1982. In addition, an 87-room expansion of the Sheraton Inn-West should be completed in late 1980.

The impact of the exposition and its potential long-term residual effect on Knoxville's economy have created renewed interest in the area among commercial and residential developers. Anticipating that the national and international exposure gained through the exposition will make Knoxville more appealing to meeting planners, the city and private developers are independently researching the feasibility of building a new convention center. Depending on whether a convention center is developed, we envision accelerated growth in this segment of the lodging industry and probable further additions to the area supply of accommodations.

William Moeckel
Manager

John Tillapaugh
Consultant
Atlanta

From Las Vegas

The final year of the 1970s was another year of considerable growth for the "Entertainment Capital of the World." During 1979, more than 11 million visitors arrived in Las Vegas, an increase of 4.6 percent over 1978. Despite gasoline shortages, increased fuel prices, airline strikes, inflation and a 2,415-room increase in total room supply, total occupancy for the 45,035 hotel and motel rooms in the Las Vegas area was 80.9 percent, a decrease of only 1.1 percent. The occupancy level for hotels remained at 86.8 percent, although the supply of hotel rooms increased nearly 6 percent; motel occupancy fell to 71.7 percent.

Las Vegas has been the legal gambling capital of the United States for more than four decades, but the 55 casinos are only part of the attraction for visitors. Tourism and convention activity have increased steadily, drawing visitors from all over the world. The 'shirt sleeve' climate, with average high and low temperatures of 79.2 degrees and 52.4 degrees respectively, average humidity of 23 percent and an average 3.8 inches of rainfall, has helped Las Vegas grow into a major sport and convention center. Delegates from 356 conventions stayed an average of 4.56 days in 1979, while the average length of stay for all visitors was 3.76 days.

Although total revenues in Las Vegas increased 12.4 percent in 1979, the lodging industry demonstrated its awareness that costs have been rising as well. There has been increasing interest in automation as a means to improve guest services and staff productivity. During 1979, the Landmark, Hacienda and Tropicana Hotels installed computers to perform front office and some back office applications. To help control increasing power costs, the Frontier Hotel installed a power management system. The Dunes, Caesars and the Marina Hotel have all installed on-line point of sale registers. This trend toward automation appears to be accelerating as we enter the 1980s.

The outlook for the future appears bright as indicated by the continued expansion in the area. Deregulation of the airlines has led to lower fares and the introduction of seven new carriers into the Las Vegas market. The Convention and Visitors Authority anticipated a record number of convention delegates in 1980, and the city is attempting to capture a larger segment of the international market and major professional sports events. In addition, the construction of the MX missile in Nevada and Utah will bring thousands of people through Las Vegas on the way to construction sites to the north. More than 5,500 hotel rooms currently are under construction to accommodate this anticipated growth, which will bring the total number of guest rooms in Las Vegas to more than 50,000, an increase of about 12 percent over 1979.

Michael K. Myers
Supervisor
Las Vegas

From Long Island

Long Island's lodging supply and demand concentrations are located in three separate areas: Nassau County, Suffolk County and Eastern Long Island. Major projects currently are underway or in the final planning stage in each of these areas.

Much of the demand generated in Nassau County has been served by hotels in Queens, primarily airport hotels, because Nassau lacks high quality accommodations. Construction of a 360-room Marriott adjacent to the Nassau Coliseum is expected to begin in 1981. Three other projects, to be located at Kennedy International Airport, are in the planning stage and Marriott will soon begin construction on a project at LaGuardia Airport.

Most of Suffolk County's lodging activity is centered in the Melville/Huntington area. A 225-room Sheraton is under construction in Smithtown; the 250-room Huntington Hilton is expected to have its financing commitments by the end of the summer, and a project adjacent to Republic Airport is in the final planning stage.

In Eastern Long Island, developers have acquired the landmark Montauk Manor, left unfinished since the 1930s, for completion as a luxury resort. The area currently is served by two major resorts, Gurney's Inn and the Montauk Yacht Club and Inn. The addition of another resort should benefit these existing properties by helping to attract conventions and enhancing the image of Eastern Long Island as a destination resort.

Bjorn Hanson
Manager
New York

From Los Angeles

The Greater Los Angeles lodging market ended the decade with record-breaking operating levels. Area-wide annual occupancy in 1979 approached 80 percent, continuing the nearly 4 percent increase of the previous two years. The average daily room rate increased to more than $40, approximately 15 percent higher than in 1978.

An estimated 12 million visitors and conventioneers arrived in the Los Angeles area during 1979, up 10 percent from 1978. The steady growth of tourism is enhancing redevelopment efforts in the downtown area and Hollywood. Long-range plans for downtown Los Angeles include the possible addition of two hotels with a total of 1,000 to 1,500 rooms. Expansion of the Hollywood lodging market may include as many as 800 new hotel rooms by 1984.

Significant additions to the Greater Los Angeles lodging market include the 827-room Sheraton Plaza La Reina at the Los Angeles Airport and the 750-room Anaheim Marriott Hotel, both scheduled to open in 1980-81.

One result of energy shortages and rising gasoline prices in 1979 was an apparent increase in the number of local residents vacationing at nearby resorts. Palm Springs area resorts achieved healthy occupancies and average rates during 1979, despite the opening of the 348-room Marriott Rancho Las Palmas.

Ongoing interest in hotel development is strong in several beach-front communities near Los Angeles. The California Coastal Commission plays a significant role in hotel development along the Southern California coast-

line. Two examples of the commission's efforts to ensure public access to coastal areas in 1979 were significant. One developer was required to include a hotel as part of his development plans, while another was told that he must offer some rooms to lower-income guests at rates below market value.

Entering 1980, the Greater Los Angeles lodging market as a whole is achieving occupancy levels about the same as those in 1979. Hotel occupancies in resort areas declined during the 1980 winter season due to bad weather and the general economic downturn. One trend developing in resorts is the tightening of individual and group reservation deposit and cancellation policies.

We project the areawide occupancy level for 1980 to be slightly above that of 1979; areawide average daily room rate also should be greater.

Robert T. Patterson
Partner
Los Angeles

From Milwaukee

The Milwaukee lodging industry has evolved with the city. Although the area once catered mainly to the commercial and medium-size group markets, the city now is capable of becoming a major competitor for large state, national and regional conventions.

This process actually began in the early 1970s with the opening of MECCA, the downtown convention center. It continued with the purchase and refurbishment of two major downtown hotels, the Pfister and the Marc Plaza. The renovation of other downtown hotels has furthered the process. The most recent addition is the Hyatt Regency, a 500-room property situated directly across from the convention center. Milwaukee's current package of meeting facilities and first-class guest rooms has given area hoteliers a feeling of great expectations.

Lodging properties in suburban Milwaukee maintained their strong commercial base. However, inns such as the Red Carpet and Marriott remain viable entries into the group market. Discussions concerning the development of a number of suburban properties are still underway, but no firm commitments have been made yet.

Area room rates are expected to increase more rapidly than in the past to offset increasing costs, such as energy and labor.

In summary, the future of the Milwaukee market looks favorable.

Richard Conti
Supervisor
Chicago

From Minneapolis/St. Paul

During 1979, the Twin Cities lodging market expanded by almost 300 rooms, including two additions to existing properties and a new budget style facility near downtown St. Paul. Twelve lodging projects currently in various stages of construction will add more than 2,500 rooms to the Twin Cities' lodging inventory. Four of the projects, representing more than 500 rooms, are additions to existing facilities; the remaining projects are new facilities and include budget style, middle market and luxury lodging accommodations.

In addition to the lodging construction in progress, there are at least 11 lodging projects that have been announced or are in various planning stages. The largest of these is the recently announced 600-room Amfac hotel, which will be located in the downtown Minneapolis City Center project.

Overall occupancy for the Twin Cities during 1979 increased by approximately one percentage point to 72 percent. Total sales for 1979 increased 12 percent over 1978; so far in 1980, total sales have increased 10 percent over the same period in 1979. This total increase includes a 13 percent increase in room sales, an 8 percent increase in food sales and a 7 percent increase in beverage sales. Total sales for 1980 are projected to increase 10 to 12 percent over the 1979 level.

Average room rates for 1980 so far have increased approximately 15 percent over the same period during 1979; however, current occupancy is down four percentage points. The overall 1980 occupancy level for the Twin Cities is expected to decline compared with the 1979 level due to the projected opening of several lodging facilities currently under construction. The increase in room rates should compensate for a slight decrease in occupancy level during 1980 to produce a total increase in room sales.

While gasoline shortages in the Twin Cities have not been severe, occupancies during summer 1979 were lower than in previous years. This was caused primarily by a decrease in tourist demand due to the threat of gasoline shortages, which never materialized.

The outlook for lodging demand during the summer of 1980 was good, due to plentiful gasoline supplies. Excellent weather and a trend toward vacationing nearer to home launched resort operators in northern Minnesota on one of their best seasons.

Stephen W. Sherf
Manager

Terry L. Richards
Senior Consultant
Minneapolis

From Nashville

The Nashville lodging market is characterized by steady and diverse year-round demand as well as the very strong weekend and summer demand associated with being a major tourist destination. In 1979, the average annual occupancy for the Nashville area was estimated to be 71 percent, a decrease of about 8 percent from 1978. Area operators attribute a large portion of this decrease to the 1979 gasoline shortages, which resulted in partial curtailment of transient and vacation travel, as well as a major increase in the area room supply.

A total of 1,162 rooms, an increase of about 12 percent, were added to

the supply of lodging facilities in the Nashville area during 1979. Included in this increase were a 122-room La Quinta Inn, the 298-room Maxwell House Hotel and the 350-room Radisson Plaza Nashville. In 1980, a 400-room Holiday Inn will open on Briley Parkway near the Metropolitan Nashville Airport and planning continues for a 400-room Marriott in the same area. Thus, while the annual occupancy in Nashville decreased, the area experienced an increase in occupied room nights.

Nashville has continued to grow as a convention city; a total of 496 conventions were held there during 1979, an increase of 14 percent over 1978. The two-year-old, 615-room Opryland Hotel has generated much of this growth. With occupancy reportedly in the mid-80 percent range, the owners of this major convention hotel are considering the addition of 600 to 800 guest rooms and 100,000 square feet of function space. In addition, the City of Nashville is considering the feasibility of constructing a convention center.

During the first quarter of 1980, the Nashville lodging market experienced a significant decrease in demand, specifically at tourist-oriented properties. This decrease is attributed primarily to the increased costs of travel and a worsening national economic climate. In an attempt to attract more tourists during the summer months, the Nashville Chamber of Commerce has increased advertising efforts in selected markets. However, we project a small decrease in overall demand at the end of 1980.

Based on the continued growth potential of Nashville, we anticipate that demand for transient accommodations will grow steadily after 1980. Increased convention demand, a stable commercial sector and a historically strong tourist market should enable the Nashville lodging market to escape the severe cyclical fluctuations of one-dimensional markets.

William Moeckel
Manager

John Tillapaugh
Consultant
Atlanta

From New Orleans

The New Orleans lodging industry ended 1979 and the decade with occupancy levels in the low 70 percent range and overall increases of one to two percentage points over 1978 levels. During the first quarter of 1980, the occupancy level neared 79 percent, slightly ahead of the same period last year. Industry officials project somewhat lower levels by year-end, but anticipate that the steady growth evident during the past few years will continue. Annual occupancies for 1980 are expected to exceed 1979 levels by one or two percentage points.

Total sales for New Orleans so far in 1980 show an increase of 13 percent over last year, with room sales up nearly 16 percent. Current average room rates are up more than 16 percent; the average room rate for the Crescent City is nearing $54.

There was relatively little new hotel construction in New Orleans during 1979. However, the Marriott opened its 450-room expansion, bringing the total number of rooms in that property to 1,354.

Development of major office projects, the continued attraction of the French Quarter and a well-established convention base have stimulated development interest in the downtown area. Trust Houses Forte will operate a hotel planned as part of Joe Canizaro's $350 million Canal Place development. The 500-room hotel will be built during the project's second phase, which could begin near the end of the year. A 1,200-room Sheraton is planned for the downtown area and the New Orleans Hilton is considering a 400-room addition to its existing 1,200 rooms. A recently completed study for a new convention center recommended a facility containing 350,000 square feet of exhibit space on a riverfront site. Partial funding has been obtained for the center through room tax allocations and a federal grant.

Developments outside of the downtown area include a 125-room Ramada Inn scheduled to open this year on Causeway Boulevard in Metairie, west of the New Orleans central business district. A chain affiliated property is planned for La Place, an industrial area west of the city.

The New Orleans area lodging industry is expected to continue its steady growth in the foreseeable future. Commercial development and the proposed riverfront convention center will further stimulate lodging demand in the downtown area. And as commerical and industrial growth continues in areas outside the central business district, they will sustain lodging growth and hotel development interest.

Diane Petersen
Consultant
Houston

From New York

The New York City lodging industry reached a peak in 1979 with an estimated occupancy of 82.5 percent for 50 major hotels with a total of 30,700 rooms. This was the city's highest occupancy since 1950.

Major changes in the industry and the city's economy are having conflicting effects on hotels. International travel to New York has increased by almost one-third. As travel to the United States becomes more attractive due to the decreased value of the American dollar, this trend can be expected to continue. More than 50 percent of all European visitors to the U.S. arrive in New York.

Although overall average length of stay has remained constant, this is not true in all of the various market segments. International travelers have substantially longer lengths of stay. However, growth in this segment has been offset by decreases in the lengths of stay in the domestic commercial and convention segments as the nation's recession deepens and as New York City hotel rates increase.

Average rates have increased as operators have begun taking advantage of high occupancies and increased double occupancy, as well as to the more frequent sale of suites and higher priced rooms as other rooms are not available.

Between 1964 and 1979, only 1,400 new hotel rooms were added to the city's supply of rooms. Currently, 4,400 rooms are under construction

and work is likely to begin on 3,100 more within the next year. Projects already opened or scheduled to open in 1981 include the Vista (820 rooms); the Harley (850 rooms); the Grand Hyatt (1,450 rooms); the Palace (750 rooms), and the Parker Meridien (560 rooms).

The New York Convention Center, which will be the largest in the country when completed, is now under construction after 10 years of planning and delays. Numerous sites were proposed before the West 34th Street site was selected and there were delays in obtaining financing for the center.

Numerous developers, including many European and Asian firms, are interested in acquiring properties despite the outlook for decreased occupancies resulting from the recession and additions to the supply of rooms.

Many hotels are installing integrated front and back office computer systems with point of sale capability to reduce payroll and improve management information.

Bjorn Hanson
Manager
New York

From Northern New Jersey

Northern New Jersey has continued its successful development of new industrial/research parks and expansion and upgrading of many areas with corporate office concentrations. This growth seems to have decreased slightly compared with the past two or three years, but the trend is still strong.

Efforts by the New Jersey Hotel/Motel Association and Chamber of Commerce in recent years to promote tourism instead of emphasizing industrial development have benefited the lodging industry. Also, the success of the Meadowlands Sports Complex in attracting sports fans has augmented the image of northern New Jersey as a recreational area.

In response to the continued growth in demand and resulting favorable occupancies, at least 12 new facilities are in various stages of development.

Increased occupancies and substantial rate increases in New York have led properties in northern New Jersey to raise room rates. Based on a sample of motor hotels, rate increases have averaged 16 to 18 percent in 1980. Discussions with owners and managers indicated that slightly smaller increases are anticipated in 1981.

In general, the outlook for the lodging industry in northern New Jersey is very good because the supply of high-quality rooms has not kept pace with demand. Quality properties in good locations should have another excellent year in 1981.

Bjorn Hanson
Manager
New York

From Orlando

The Orlando area lodging industry is entering a new era of growth. The upward trend in occupancies and average room rates evident in 1977 and 1978 continued during 1979 and into the first half of 1980. Occupancies rose from the high 60 percent range to the low 70s in 1979 and were estimated to be in the mid-70 percent range for the first six months of 1980. Average room rates increased 14 to 16 percent in 1979 and are expected to continue increasing at that pace through 1980.

The numerous tourist, commercial and industrial developments planned or under construction in the Orlando area support an optimistic outlook for the lodging industry.

The construction of Walt Disney World's $800 million Experimental Prototype Community of Tomorrow (EPCOT) is proceeding on schedule and the facility will be open in October 1982. Disney officials project that the annual number of visitors to their attractions will increase by six to eight million, 60 percent above the attendance figure of 13,791,000 recorded in fiscal 1979. Attendance for the first three quarters of fiscal 1980 was expected to be slightly above the same period in 1979.

Two major tourist attractions have been proposed for the Orlando area. Little England will be located on a 1,300-acre site near Disney World on U.S. Highway 192. Replicas of Stonehenge, a castle, a 15th-century English village and a seaside resort will be the main features of this $500 million theme park. The developers hope to open the first part of the project in 1983. MCA, Inc., which operates Universal Studios, the third most popular tourist attraction in California, is completing plans to build a similar attraction near Florida Center. The estimated annual attendance at these two attractions ranges from three to six million visitors, which should increase the demand for hotel rooms as well as the average length of stay.

Orlando has been conducting an aggressive campaign to attract new industries. Major corporations including Western Electric, Westinghouse and Burroughs Corporation have announced plans to build manufacturing plants or relocate offices in the area. In addition, Central Florida Research Park, a cooperative venture between Orange County and the University of Central Florida, is becoming a reality and should facilitate more industrial development in the area.

Site work is underway on the Orange County Convention/Civic Center, which is expected to open in 1981. The 325,000-square-foot, multipurpose facility will create a new market for national and regional conventions and will necessitate the development of first-class hotels adjacent to or near the center.

Downtown Orlando is on the verge of a new phase of development. Plans have been announced for the construction of several buildings to meet the increasing demand for office space. The 96-year-old San Juan Hotel will be razed to make room for a high-rise office building. As a result of this activity, several new hotels, renovations and expansions of existing facilities are in various stages of planning or development; many properties have already added rooms. The

extensive renovation program at the Harley Hotel (formerly the Kahler Plaza) on Lake Eola has been completed and the hotel is now attracting a corporate and commercial clientele. The 201-room Angebilt Hotel was recently purchased and the new owners intend to upgrade the facility.

The 316-room Sheraton World (near Sea World) is scheduled for completion in August 1980. Other proposed hotels in the Orlando area include an 826-room luxury high-rise at Lake Buena Vista; a 202-room Howard Johnson's and a 440-room family resort hotel with one- or two-bedroom suites near Kissimmee, and a 2,000-unit vacation resort on the north shore of Lake Bryan. It is likely that a 1,000- to 1,500-room hotel will be constructed near the convention/civic center, and that new properties will be built near Orlando International Airport when the ultramodern terminal is completed in late 1981. Although Walt Disney World has not yet announced plans for more hotels, it is likely that Disney will expand existing hotels or construct new ones to meet the anticipated demand from EPCOT.

These emerging trends and major developments support an optimistic long-range outlook for the Orlando area lodging industry. However, the excitement and anticipation is reminiscent of the situation that existed in 1972 and 1973, when there was extensive overbuilding. Although the projected demand seems to support the need for more lodging facilities, the proper timing of additions to the room supply is critical, particularly with today's high construction costs. In an overbuilt market, many lodging operations cannot afford reduced occupancy levels and would fall victim to foreclosure, bankruptcy or receivership.

In light of the deepening recession and apprehension surrounding the cost and availability of gasoline, we are predicting only moderate increases in lodging demand during 1980 and 1981. The lodging industry should remain healthy as long as the anticipated growth in demand is accommodated by well-planned, non-speculative additions to the room supply.

J. Paul DeMyer
Supervisor

Charles A. Ross
Consultant

Joel Eisemann
Consultant
Tampa

From Philadelphia

The lodging industry in Philadelphia continued its revival during 1979, and several additional stimuli should be provided during the 1980s.

While overall occupancy in the city was approximately the same in 1979 as in 1978, the total number of occupied rooms increased about 5 percent. Overall citywide occupancy in 1979 was estimated at approximately 59 percent—a very misleading percentage. Excluding from the computation the occupancy data of a large, older convention hotel that is becoming less competitive results in a more reflective citywide occupancy level of about 68 percent. In fact, 8 of the 14 major hotels in Philadelphia had 1979 occupancy levels in excess of 70 percent and half of these were in excess of 75 percent.

Excess demand for rooms was absorbed primarily by the 565-room Fairmont Hotel, which opened in September 1979. The Fairmont experienced typical low levels of occupancy during its initial months of operation because of a limited amount of group business; at this writing, it is reported to be doing well as its group market begins to mature.

The average room rate for 1979 was approximately 16 percent higher than in 1978, primarily due to the opening of the Fairmont and the first full-year impact of renovations to the Barclay and Warwick Hotels. Again, the estimated 1979 citywide average room rate of $36.50 was depressed somewhat by the weight of the large, older convention hotel. Several hotels broke the $50 average rate barrier in 1979; one reported an average rate in the low $60s and one in the low $70s. Future increases in the room supply should provide additional impetus to Philadelphia's attempt to reach reasonable rate parity with other competitive Northeastern cities, such as Boston and Washington.

The city's overall ability to host major conventions increased in 1980. The 800-room Franklin Plaza Hotel, operated by Canadian Pacific Hotels, opened in October 1980. Future group bookings for this property are reported to be strong. Trust Houses Forte recently announced the purchase of the Plaza Apartments, located two blocks from the Franklin Plaza, for immediate conversion to a 300-room deluxe hotel, also to open in 1980.

At least two other additions to the room supply are scheduled for 1982: a 350-room luxury hotel managed by Four Seasons Hotels Limited near the Franklin Plaza and Plaza developments, and a 360-room luxury hotel on Rittenhouse Square. Other hotel projects for the center city and Society Hill/Penn's Landing areas are being discussed, but financing has not yet been obtained for these ventures.

In summary, Philadelphia's hotel supply is rapidly improving in terms of new high-quality accommodations and amenities. The additions of the Fairmont and Franklin Plaza Hotels will enable the city to attract more large conventions and groups. More medium-size, in-house conventions and groups will be accommodated with the addition of the medium-size hotels. And the needs of the luxury market will be met with entry of two luxury-class hotels. We foresee moderate to strong growth in the convention and group market as these hotels open, and continued modest growth in the commercial and tourist markets as the new hotels will not produce any significant impetus to their growth.

Food and beverage sales in most Philadelphia hotels increased moderately in 1979, due only to menu price increases. However, the overall food and beverage volume of the city's hotels increased substantially as a result of the opening of the extensive restaurant, lounge and banquet facilities at the Fairmont Hotel and a full year's sales from the popular club/

restaurant/disco, Elan, at the Warwick Hotel. Independent area restaurants continue to compete effectively for the hotel guest dining dollar.

Atlantic City had no material effect on Philadelphia's hotel industry in 1979. However, as more hotels open in Atlantic City (see "From Atlantic City"), more conventions will be attracted and cooperative efforts between Philadelphia and Atlantic City will become more important.

The energy shortage did not have a material impact on most of the lodging properties in Philadelphia; however, it had an impact on highway motor hotels and resorts in the Delaware Valley, primarily due to uncertainty about the availability of gasoline rather than escalating price. The Lancaster/Harrisburg area was particularly hard hit as the energy shortage occurred at about the same time as the Three Mile Island incident and a polio scare among the Amish. Regional destination resorts, such as Lancaster, the Poconos and the New Jersey shore, may benefit in the long term from continuing gasoline price increases as residents choose to vacation closer to home. Unfortunately, highway motor hotels that rely heavily on stopovers of long-distance automobile vacationers may not experience the same beneficial impact.

In summary, 1980 means different things to the Philadelphia area lodging industry. Philadelphia hoteliers look to 1980 as a year of continued hotel renaissance; area destination resort operators view 1980 with cautious optimism, and operators of highway motor hotels oriented toward the transient tourist simply see 1980 as a question mark.

Peter R. Tyson
Partner

Wesley Ayre
Manager
Philadelphia

From Pittsburgh

New hotel development in the Golden Triangle area, the heart of Pittsburgh's central business district, will be a major factor in the Pittsburgh hotel industry during the early 1980s.

A 300-room Sheraton under construction at Station Square is scheduled to open in 1981. Station Square is a mixed-use speciality retail, restaurant and office complex across the Monongahela River from the Golden Triangle.

The David L. Lawrence Convention Center also is under construction and scheduled to open early in 1981. A major hotel is planned as an integral part of the convention center complex and a selection process is underway to determine who will construct this property. A developer should be chosen by the end of 1980.

A third proposed hotel will replace the Carlton House, a hotel managed by Western International that was recently closed for demolition. The new hotel, to be built on roughly the same site, is expected to cater to corporate executives. Although this property and the proposed convention center hotel are only in the preliminary planning stages, it is highly likely that both projects will be completed and added to the room supply.

New rooms are being added to hotels adjacent to Pittsburgh International Airport.

Nancy Landino
Manager
Cleveland

From Portland

Two major real estate projects proposed for Portland's (Oregon) central business district were cancelled during the first half of 1980 due primarily to financing costs. Both projects were to have included major hotel developments.

With this exception, the trend toward growth has continued. The Thunderbird/Red Lion chain announced the acquisition of the Lloyd Center Sheraton Hotel along with plans for a major renovation. These include a high-rise tower with expanded convention facilities. The property is adjacent to a major regional shopping center located near downtown Portland.

On the Oregon coast, Hilton Hotel recently opened a destination resort property in Newport and announced plans for a new Hilton to be located in downtown Eugene. Chumree Inns continued its expansion with the June 1980 opening of a major motor hotel in Salem.

Statewide hotel occupancy declined 3 percent between July 1979 and June 1980. That is not too disappointing considering the value of the American dollar, the energy crisis and the eruption of Mount Saint Helens. On the other hand, sales increased 2 percent.

The growth of the Portland area restaurant business continues; many new properties are being added during 1980. Competition for food and beverage business is keen, with a variety of themes and new menu presentations.

The future of the lodging business in Oregon looks bright, with anticipated major property additions in the core area of downtown Portland and a major property to be located in suburban Beaverton.

Robert I. Mesher
Partner
Portland

From Providence

As expected, the hospitality industry in Providence has been feeling the effects of the recession coupled with the energy crisis. Increasingly, tourists in the Providence area are using public transportation and group tours for sightseeing. Although the group lodging business declined during 1979, 1980 sales are expected to increase about 10 percent after adjustments for room additions and an anticipated 10 percent increase in room rates. The hotel restaurant business increased between 10 and 15 percent during 1979. The operators of one major hotel did report poor first quarter 1980 results for its restaurant business, but, following a good second quarter, believe that prospects for the rest of the year are excellent.

March 1980 marked the completion of a 101-room addition to the

Marriott, somewhat smaller than the 125-rooms originally planned. Along with the new rooms, a small ballroom with a capacity of 150 persons and two small meeting rooms (each seating 45 people) were added. In nearby Cranston, Rhode Island, the 130-room Hilton Inn recently was sold to Johnson & Wales College, which plans to convert the hotel to a dormitory.

The downturn in the economy, combined with high interest rates, has put a damper on current plans for a new 1,000-seat convention center in Providence. However, plans for the center are still under consideration, pending improvement in the economic climate.

Several new marketing techniques have been developed to improve the lodging and tourism picture in Providence. The Convention and Visitors Bureau has been actively pursuing national and regional conventions. In addition, it sponsored a community awareness night for employees in the hospitality industry and related industries—waiters, waitresses, cab and bus drivers, hotel clerks, and so on—to keep them informed so they can provide up-to-date information to travelers in the Providence area. Playing on the proximity of Providence to tourist attractions in the Newport and Boston areas, one Providence hotel is marketing weekend and entertainment packages at rates generally half those of comparable accommodations in Boston.

Donald S. Horowitz
Partner
Providence

From Raleigh

The Raleigh, North Carolina area is experiencing strong demand for accommodations Monday through Thursday, primarily from the commercial sector. It is not uncommon for area hotels to be full during these days, with overflow extending into the Durham market area. Area occupancy for 1979 was estimated in the mid-70 percent range, due largely to the strong commercial base of the area's lodging market.

The high level of demand for accommodations and anticipated future growth potential, resulting in part from the Research Triangle and the influx of new businesses to the area, have generated interest in new hotel development and expansion of existing facilities. New developments that opened in 1979 include the 130-room Sheraton-Highwoods and the 122-room Days Inn. The Mission Valley Inn and the Ramada Inn-Crabtree added 120 and 53 rooms respectively.

Proposed additions to the Raleigh lodging supply include a 360-room Radisson Hotel in the downtown area at the Civic Center and a 303-room Marriott Hotel in the rapidly growing Crabtree Valley area. These hotels, both scheduled to open in 1983, are expected to attract more group-related business to the area.

William J. Spears
Partner
Charlotte

William Stadler
Consultant
Atlanta

From St. Louis

According to the most recent issue of the *St. Louis Trend of Business in the Lodging Industry*, published monthly by Laventhol & Horwath's St. Louis office, the year-to-date average dollar volume of room sales is 16 percent higher than in 1979. Overall, average occupancy for city and county properties is about 2.7 percent lower than last year. This occupancy decline, due to the recession and recent additions to the market, is being offset by significantly higher rates. Year-to-date average rates are more than 15 percent higher than in 1979.

New properties include the 330-room Holiday Inn Westport, which opened in October 1980. The dynamic west county lodging market expanded with the opening of the 225-room Sheraton Plaza in the fall.

The downtown area continues to attract the convention market. According to the St. Louis Convention and Visitors Bureau, 421 major conventions were held in St. Louis during 1979, with a total of 429,000 attendees. In August 1979, St. Louis hosted the American Society of Association Executives Annual Exposition. The delegates gave the Convention Center good ratings, but the shortage of first-class hotel rooms and evening entertainment facilities concerned planners. Although a number of hotels are planned or under construction in the downtown area, meeting planners believe there is still a need for major, convention-oriented hotels.

Projects underway in downtown St. Louis include a $13 million, 300-room Radisson Hotel adjacent to the Convention Center. Expansion of the Marriott Pavilion, doubling the 340-room capacity, is also underway. Both projects will be completed in 1981.

In the past year, there have been several announcements regarding changes in the downtown lodging market. These include:

- The restoration and adaption of the Union Station Terminal for other uses. Oppenheimer Properties announced that work will begin in 1981 on a 550-room luxury Omni International Hotel, plus 200,000 square feet of commercial space as part of this project.
- The 60-year old, 210-room Warwick Hotel was razed in the fall to make room for the expansion of a major regional bank.
- Hyatt Hotels announced its intention to build a luxury hotel in the Laclede's Landing redevelopment area on the riverfront.
- Plans for a 1,000-room luxury hotel to be included within the May Mall development have been abandoned.
- Late in April 1980, Western International Hotels announced that it hoped to buy an office building across from the Arch, raze it and build a luxury hotel. The site recently was purchased by an Oklahoma real

estate firm, but plans for its use have not been announced.

Development continues at Lambert/St. Louis International Airport. Early in 1980, TWA announced that St. Louis is now the busiest city in its worldwide network, with approximately 110 flights daily compared with Chicago's 76. In 1979, a total of 9,098,712 airline passengers arrived in and departed from St. Louis, making Lambert the nation's tenth busiest airport, according to the airport's operations manager. Airport expansion recently added 42 new boarding gates, and plans have been finalized for a new concourse with 34 additional gates. Altogether, more than $110 million worth of terminal and passenger service facilities are either under construction or definitely planned.

Airport hotels and motels have enjoyed a strong rate of increase in the last two years. Several airport properties recently completed renovation. Construction now underway at the 426-room St. Louis Airport Marriott will add 180 rooms to that facility; completion is expected in 1981. A local developer is proceeding with plans to build a 300- to 400-room luxury hotel on a site near the airport.

According to the St. Louis County Business and Industrial Development Commission, construction on nonresidential projects in St. Louis County alone will exceed $1 billion in 1980 and 1981. By comparison, last fall a Florida commerce spokesman announced $500 million in new and expanded industries for the *entire* state of Florida. Included in the $1 billion is more than $45 million in hotel and motel construction.

While it is too early to determine what long-term impact the recession will have on the general economy or lodging industry of St. Louis, the outlook for the next decade includes a continued upgrading of facilities, increasing rates and increased lodging demand.

Daniel R. Beam
Consultant
St. Louis

From San Antonio

The Alamo City ended the decade with an overall occupancy of 73.2 percent in 1979, compared with 75.5 percent for 1978. While some of the decrease resulted from the "gas crunch" during the summer tourist season, part of it is attributable to the addition of 752 rooms in the Center City/Alamo sector. These additions included the 250-room Four Seasons, which opened in April 1979, and the 502-room San Antonio Marriott, which opened in December. The citywide average daily room rate rose from $26.42 in 1978 to $30.81 in 1979, an increase of 16.6 percent.

Several new first-class hotels are scheduled to open in San Antonio during 1980 and 1981. These include:

- The 217-suite Granada Royale, located on the North Loop near the airport, which opened late in 1980.
- The 306-room, mid-rise Holiday Inn, also located on the North Loop near the airport, which is scheduled to open in March 1981.
- The 633-room Hyatt Regency, which is scheduled to open in the fall of 1981.

The new Granada Royale and Holiday Inn are expected to cater primarily to commercial travelers; the Hyatt Regency will be primarily a convention/tourist house.

We expect a few more hotel developments in San Antonio during the next few years. This development will be based on the diversified local economy and the flourishing tourist and convention trade, which is a result of San Antonio's central location, historic and cultural significance, and generally excellent weather.

David E. Dean
Consultant
Houston

From San Diego

Hotel occupancies in the San Diego area averaged 79 percent in 1979, a slight increase over the 1978 level. At the same time, the average daily room rate increased 17 percent. Although the areawide occupancy decreased slightly during the first half of 1980, we believe San Diego hotels will finish the year with overall occupancies equal to those of 1979.

Resort operators in San Diego County reported higher year-end occupancies in 1979 than in 1978. Increases in the number of Southern California residents vacationing in nearby resort areas have contributed to this growth. Resort occupancies remained strong in 1980 despite heavy winter rains early in the year and the general economic downturn.

In addition to the numerous hotel projects and redevelopment plans under consideration in 1979, one major new development, the Mexican-American Trade Center, is being planned. Emphasizing the strong economic and cultural relationship between Mexico and the United States, the project would include a 300,000-square-foot office structure and a 600-room first-class hotel. Other proposed projects, designed to enhance tourism in the area, are:

- Restoration of the Gaslamp Quarter, which will focus on retail specialty shops.
- Upgrading of the existing railway terminal and addition of a surface rail transportation system.
- Aero World, designed to offer daily air shows and historic exhibits.
- Sea Port Village, a retail specialty center.
- A 590-slip yacht harbor and marina.

Planning continues for the proposed 500,000-square-foot San Diego Convention Center. This facility may be completed by 1984 and is expected to have a dramatic impact on the San Diego lodging market.

Jerome A. Morrison
Partner
San Diego

From San Francisco

Despite record high prices, fears of recession and fuel shortages, 1979 proved to be another excellent year for the San Francisco Bay area hotel industry. Citywide occupancy reached 86 percent by year-end, with

average daily room rates ranging from $40 to $90. Based on the first quarter of 1980, operators expect that the historical occupancy growth trend of 2 to 3 points per year will now slow somewhat. However, a healthy 87 percent occupancy is projected for 1980, and room rates are anticipated to increase between 15 and 20 percent.

During the past decade, San Francisco lost a significant amount of convention business due to the lack of a large convention and exhibition center. The new George R. Moscone Convention Center, with 650,000 square feet of floor space and 31 meeting rooms ranging in capacity from 50 to 600 people, is now scheduled for completion in 1982. Plans for at least five first-class, convention-oriented hotels to be built in the convention center area are being considered. These properties, planned by Holiday Inns, Inc., Ramada Inns, Inc., other major listed companies and the San Francisco redevelopment agency, would contain almost 5,000 rooms and, if constructed, will complement the functions of the convention center. In addition, the operators of existing properties in the area have announced expansion plans that would increase the room supply by about 700 rooms.

Between 1980 and 1983, the managements of several major San Francisco hotels will be directing their marketing efforts toward attracting smaller, in-house conventions and conferences to take the place of large citywide groups that have gone elsewhere due to the absence of a major convention center.

South of the city, in the San Francisco International Airport area, the 1979 occupancy rate was 85 percent, with an average daily room rate of about $45. Due to rapidly increasing prices and decreased airline traffic, airport area hotel operators expect 1980 occupancy to be 1 to 2 points lower than 1979 figures. Despite this decline, seven or eight new projects and expansions are under consideration; these could add up to 1,700 rooms to the market within the next four years. In 1980, average room rates are expected to increase between 15 and 20 percent compared with 1979. However, as the proposed new rooms become available, these yearly rate increases may be smaller due to increased competition.

The Oakland/East Bay area has been experiencing strong growth both in occupancy and average daily rates. During 1979, the occupancy rate was 82 percent, and room rates increased 20 percent. Major growth is expected in the room supply, with a 511-room Hyatt Regency scheduled to open in 1983, and a 625-room Hong Kong U.S.A. property under consideration for later in the decade.

These developments constitute a significant portion of the downtown Oakland redevelopment plan, aimed at reversing the social and economic decline that has occurred in recent years. The entire redevelopment plan includes a 118,000-square-foot convention center and 56 acres of office towers, shopping areas, parking structures and public plazas, at an estimated cost of $440 million. Although the project will be completed in phases between 1980 and the year 2000, it is hoped that the opening of the Hyatt Regency in 1983 will itself stimulate growth in first-class and tourist demand for the entire area.

Despite the impact of the current economic situation on the area, 1980 is anticipated to be another profitable year for the Bay area hotel industry.

Clarence H. Peters
Senior Principal
San Francisco

From San Juan

The hotel industry in Puerto Rico has not shown any recent significant improvement. The average occupancy rate for fiscal year 1978-79 was 66.9 percent compared with 65.1 percent for the previous fiscal year, according to statistics published by the Tourism Company.

The recession, increased airfares and the government's unenthusiastic attitude toward gaming, including slot machines, are adversely affecting the tourism industry. While casino/hotels fought to keep the law permitting the operation of slot machines in effect, the government refused to do anything to keep the "one-arm bandits" on the island despite their significant contribution to the Education Fund, which provides resources for the expansion and improvement of the University of Puerto Rico and direct help to students. Slot machine revenues also have been the major resource available to hotels for payment of long-term obligations, remodeling of properties and liquidation of old tax indebtedness. The government ultimately did agree to extend the law for two years.

In addition to these problems, luxury hotels in Puerto Rico have begun to feel the increasing competition from U.S. casinos.

Two hotels left in advanced stages of construction some years ago are still unfinished; however, negotiations are being conducted by developers interested in opening these properties. A third facility is being rebuilt and renovated. When finished, these three properties will add 886 hotel rooms to the supply in the San Juan area.

On the other hand, some small hotels have been or are being converted for residential use, thus limiting the number of medium-priced hotel accommodations available to visitors who cannot pay luxury hotel rates.

Representatives of Caledonian Hotel Management, based in Spain, recently visited Puerto Rico and expressed interest in becoming involved in hotel operations on the island.

Looking ahead, Puerto Rico is expected to attract American tourists who are hesitant to travel abroad where the U.S. dollar is no longer as strong as in the past, as well as travelers from Canada and Latin America.

Abimael Sémprit-Cruz
Partner
San Juan

From Seattle

The increased development of new hotels, first reported in 1979, has continued into 1980. The 429-room Park Hilton recently opened in downtown Seattle. Other projects under construction in the downtown market are an 871-room Sheraton, expected to open in 1983, a 588-room Holiday Inn, scheduled to open in late 1983, and the 242-room David Denny, which will be open within the year. Proposals by other developers could add 1,500 rooms.

Seattle-based Western International Hotels is also a part of the changing downtown market. WIH has demolished the older Ben Franklin portion of the Washington Plaza to make room for a new 455-room tower. When completed in late 1982, the hotel will have 872 rooms and will be Seattle's largest hotel. The WIH lease on the 764-room Olympic expires in late 1980 and will be taken over by Four Seasons Hotels of Canada. Four Seasons will close the hotel for extensive renovation to create a 448-room luxury hotel.

Western International is also constructing a new 33-story headquarters in downtown Seattle. This building is part of a continuing boom that is expected to increase the current inventory of office space 50 percent by 1984. Construction activity, continued growth at the Boeing Company, and the increasing importance of the Port of Seattle are indicators of a strong economic environment in the Seattle/Tacoma area.

This strong economy and the temporary shortage of hotel rooms created by the closing of the Olympic and Ben Franklin hotels will lead to continued high occupancies in Seattle and the surrounding area. Occupancies in the city's three market areas exceed 80 percent, and average rates have risen significantly during the past seven years.

The lodging market in the area of Sea-Tac International Airport continues to attract new hotel development. Doubletree Inns opened a 226-suite hotel and Marriott is expected to open a 450-room airport hotel in 1981. Other projects are planned for the Sea-Tac area.

The east side area, particularly the city of Bellevue, also continues to attract new development. A 186-room Hilton Inn opened this year and Red Lion is constructing a 400-room hotel in Bellevue.

Voter approval of a domed stadium is one of the factors creating interest in new lodging facilities in Tacoma. At least one project should be under construction by early 1981.

Despite its economic strength, the Seattle area has been affected by the volcanic eruptions of Mount Saint Helens. Occupancy levels in Seattle and the entire Pacific Northwest were lower this summer as a result. To offset public fears, the state and the travel and lodging industry are actively working to change the misconceptions about the impact of the volcanic activity.

Russ C. Valentine
Supervisor
Seattle

From South Florida

The South Florida area, including Miami, Miami Beach, Ft. Lauderdale and Palm Beach, has entered the 1980s with solidly based lodging, commercial, residential and retail economies. Record-setting increases in major indicators, such as tourism trends, population, airport arrivals, housing starts and retail sales, do not seem to reflect the economic recession affecting many of the nation's northern industrial markets. In anticipation of these trends, South Florida has embarked on ambitious community service improvements, such as an elevated rapid transit system, a downtown people mover, a government center and a $55 million airport expansion.

Lodging interests have kept pace with the communities' extraordinary growth. Major projects include: a 575-room Marriott hotel/condominium complex under construction in Ft. Lauderdale; a 600-room Sheraton on North Miami Beach; a 600-room Hyatt Regency near the renovated Fontainebleau Hilton; a 360-room, $17.6 million Hyatt in West Palm Beach, and several proposed projects at Miami International Airport. Holiday Inn is contemplating the addition of 1,500 to 2,000 rooms to the area, with several projects already under construction. Economy properties have also recently expanded to capture such markets as Latin American tour groups and some commercial businessmen. Quality Inns, Days Inns, Super 8, Howard Johnson and Ramada Inns are all either making additions or constructing new facilities in Dade County.

As of October 1979, the 12-month moving average showed Miami hotels at a 76.5 percent occupancy level, up 4.9 percent from 1978. Miami Beach contributors reported a 70 percent occupancy, up more than 6 percent from 1978. Further, occupancy has not fallen in 1980 compared with 1979; average room rates are up nearly 30 percent for downtown hotels. Beach properties are reporting a strong season; area occupancies are equal to last year's record levels and overall revenues are up 15 to 20 percent.

Rising energy costs have negatively affected the number of tourists arriving in South Florida by automobile; however, increased air arrivals have more than offset this decline. Increasing numbers of Latin Americans and Europeans continue to offset any domestic travel reductions resulting from the recession.

Overall, we predict strong growth in lodging demand throughout the area. With continued confidence in South Florida as an international destination, confirmed by several recently announced projects, the area's lodging market can be expected to perform better than many Sunbelt

competitors in the 1980s.

Irwin I. Glick
Senior Principal

M. Chase Burritt
Supervisor
Miami

From Tampa

The majority of new hotel developments in the Tampa Bay area are first-class properties that cater to business travelers. This growth is due to the rapid expansion of the commercial and industrial bases of Tampa, St. Petersburg and Clearwater.

Currently, 1.5 million square feet of office space is under construction in downtown Tampa alone. This will effectively double the available office space. In June 1980, ground was broken for a 530-room Hyatt Regency. This hotel, which is part of the $85 million, four-square-block Tampa City Center development, will be completed in 1982 and is expected to play a key role in the revitalization of the central business district. Also in June, the $65 million Westbank project was announced. Development plans for the 11-acre site, west of the Hillsborough River, include a 25-story, 500-room luxury hotel, condominiums and office space.

The greatest amount of lodging development is occurring in the Westshore Boulevard commercial district of Tampa, which already has the largest concentration of hotel rooms in the Tampa Bay area. This market sector has historically been the strongest in Tampa due to the existence of a wide variety of demand generators. Commercial activity is expected to increase as a number of major companies are relocating to the area and more than 400,000 square feet of office space is planned or under construction. During the next two years, 818 hotel rooms will be added to the room supply. Marriott is constructing a 310-room property scheduled for completion in the spring of 1981. Plans have been announced for three other projects: a 238-room luxury Hilton; a 120-room expansion of the Admiral Benbow Inn, and a 150-room expansion of the Holiday Inn-Airport.

The North Tampa market area is also the site of development. Anheuser-Busch, Inc. is proceeding with plans for a 400-room Sheraton in Busch Gardens, the second most popular tourist attraction in Florida. Designated as the official "host" hotel, the proposed property is a major element of Busch Gardens' continuing expansion program. Other recent developments include Timbuktu, a new section of the theme park, and Adventure Island, a completely separate, water-oriented attraction located just northwest of Busch Gardens. These expansions are expected to encourage repeat visits as well as increase the average length of stay in area hotels.

Significant commercial and industrial development is also taking place across the bay in St. Petersburg and Clearwater. During 1979 and the first half of 1980, 18 major companies announced plans to locate new plants or expand existing facilities in Pinellas County. As a result, many developers are searching for opportunities in the expanding lodging market. Construction is proceeding on a 414-room, convention-oriented Holiday Inn on Clearwater Beach. This property is scheduled to open in 1982 and will have the largest meeting facilities of any of the beach front properties.

In 1979, the overall occupancy for the Tampa Bay area reached 68 percent, an increase of about 7 percent over 1978. Average room rates were up almost 15 percent. For the first quarter of 1980, the area occupancy was down about 1 percent compared with the same period in 1979. Average room rates, however, increased about 14 percent. During the remainder of 1980, occupancies are expected to be affected adversely by the recession and, therefore, will be down slightly. At the same time, we anticipate that the overall room rate increases in the market area will be in the 10 to 15 percent range.

J. Paul DeMyer
Supervisor

Charles A. Ross
Consultant

Joel Eisemann
Consultant
Tampa

From Tucson

Arizona's lodging industry is healthy and growing at a steady pace. Tucson currently has about 165 hotel and motel facilities with close to 8,400 rooms. In 1979, these facilities were the recipients of $165 million in lodging expenditures, an increase of 23 percent from 1978. It is anticipated that 1980 lodging expenditures in Tucson will show a comparable increase as various new lodging facilities are considered for development. Two Granada Royale Hometels currently under consideration, one at Tucson International Airport and one on the city's far east side, would have a total of about 200 rooms and would be franchised. A proposed 400-room Hyatt is under consideration for the east side of Tucson.

Although Tucson is entering an unprecedented period of economic growth and development, it is obvious that the energy shortage and economic conditions in other parts of the country are affecting the area. Nonetheless, many believe that the lodging industry will continue its steady growth. While some factors seem to support this belief, others do not. For example, airport traffic at Tucson International increased 15 percent in 1979. If such an increase continues, the lodging industry will be favorably affected. On the other hand, convention activity for the first six months of 1980 decreased 57 percent from the same period in 1979.

With the energy crisis apparently forcing more people to fly rather than

drive, the lodging industry in Tucson is focusing its marketing emphasis on travel agents and major airlines. One concept that is becoming popular among lodging facilities is placing advertisements in airline magazines. The influx of major corporations to Tucson, such as IBM and National Semi-Conductor, will undoubtedly increase commercial air traffic. In the past, the Tucson lodging industry aimed its marketing techniques at the vacationer, but now an added emphasis is being placed on the business market.

Frank Auletta
Supervisor
Tucson

From Washington, D.C.

Hotels in the Washington, D.C. area registered their first decrease in average annual occupany since 1976 as the 1979 level dropped one percentage point from the previous year. At the same time average room rates increased, contributing to a 13 percent rise in total sales for metropolitan properties. These changes occurred at a time when nearly 600 new or refurbished hotel rooms entered the market, along with the renovated, 1,500-room Sheraton Washington.

Despite the state of the economy and the costs of financing, hotel development has continued during 1980 in the downtown area as well as the Virginia and Maryland suburbs. Most notable are Marriott's projects, totaling 1,125 rooms downtown and 700 rooms in the suburbs.

Downtown, the Willard Hotel will be resurrected as a 580-room Fairmont Hotel. In addition, the Shoreham Dunfey and the Mayflower will be refurbished and a 535-room Holiday Inn is under construction.

With the projected increase in the demand for accommodations in the moderate to luxury price range, most major hotel companies are planning to establish or increase their presence in Washington. Many projects are in the preliminary planning stages but have not been announced yet.

A catalyst for much of this development is Washington's Convention Center, which is scheduled to open in 1984. The center is expected to attract an additional 350,000 delegates to Washington annually. Also, national associations from throughout the country have continued to relocate their headquarters here. As a result of these developments, convention, group and commercial business is expected to provide increasing demand for existing and planned hotels in the nation's capital during the 1980s.

Fred Mosser
Manager
Washington, D.C.

The U.S. Lodging Industry Study

Introduction

Laventhol & Horwath's 48th annual report on the lodging industry has again compiled financial information into various categories necessary for a thorough understanding of the operating characteristics of the industry. In addition, supplementary information concerning sources of business, composition of lodging demand and other marketing statistics are presented following their successful introduction last year. This information is broken down into 10 separate categories and includes medians, quartiles and arithmetic means for 42 different groups.

Bases of statistics

The statistics presented in the report have been computed on the three most common bases used to analyze operating results of lodging enterprises: annual amounts per room, ratio to room sales and ratios to total sales. Readers not familiar with L&H's lodging industry reports, especially those who are not well acquainted with hotel financial statements, are advised to read carefully "Bases and Significance of Hotel Statistics," which begins on page 93. An understanding of this material, taken from Chapter 28 of the fourth revised edition of *Hotel Accounting*, published in 1978 by the Ronald Press Division of John Wiley & Sons, is essential to understanding and using the statistical information in this report.

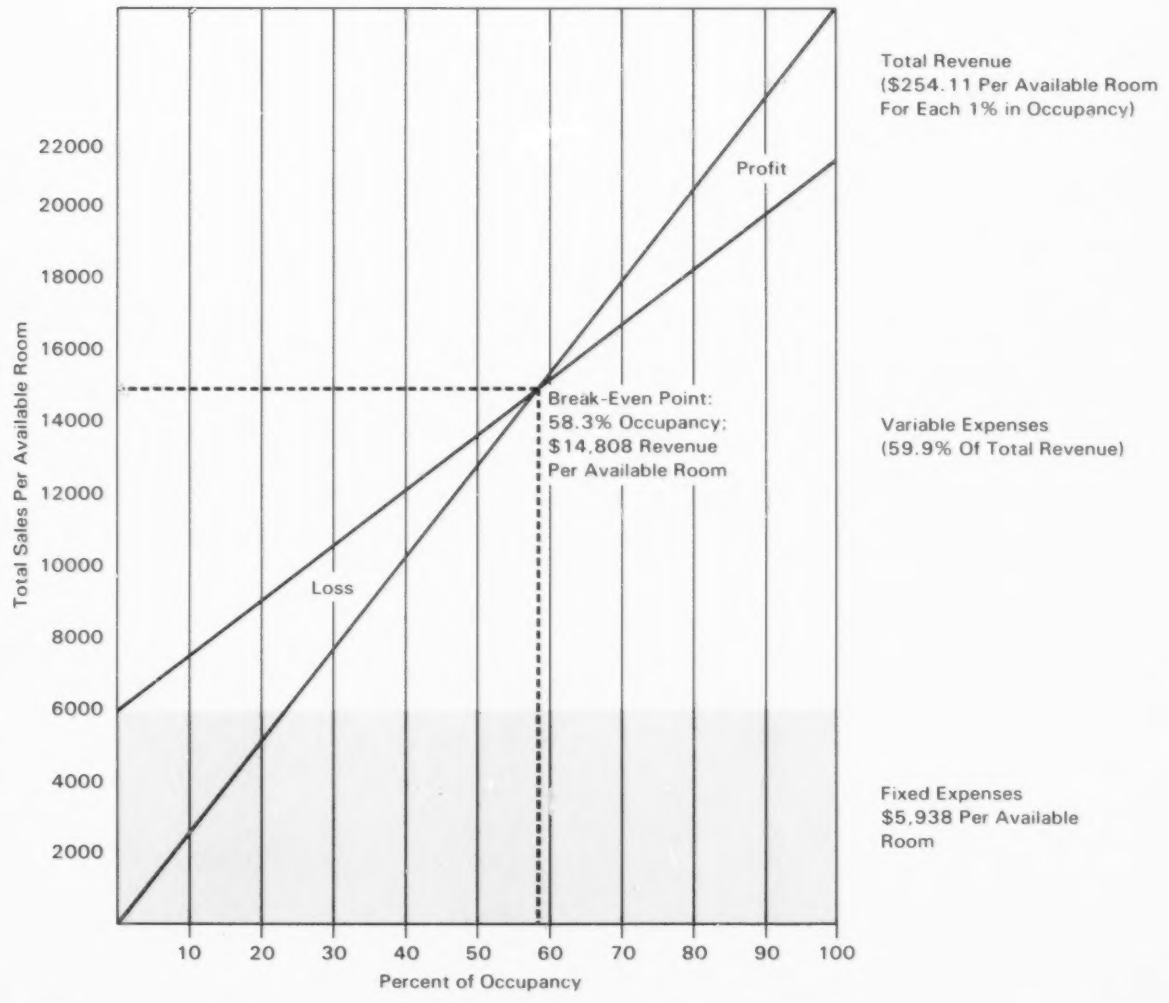
Most of the figures used are the medians and upper and lower quartiles and do not necessarily

add to the totals shown. Each line item has been analyzed separately and the medians are based on the information submitted for that line item only, since not all establishments reported data for each line. We also use the arithmetic means where appropriate. For example, the figures in "The U.S. Lodging Industry Dollar" (page 27) and the "Break-Even Analysis" (below) charts are based on means to express absolute values rather than the relative position of the operating results of the establishments in the samples, which are shown by the medians and quartiles. The figures are intended to be used as guidelines, not standards or goals. They are not an attempt by L&H to set or conform prices or operating ratios for the industry.

How to use this report

A schedule is provided at the end of these comments to help readers compare the operating results of their lodging establishments with the medians in the study. It contains selected criteria that we have found useful in analyzing operating results. We suggest that more than one set of medians be selected for comparison, since an operation can be identified in several ways. Characteristics affecting net income most significantly appear to be size, occupancy, average rate and the relative success of the restaurant operation. Total sales volume may be a characteristic preferred by some; others may consider regional or locational factors to be important. The schedule contains a column for the read-

Chart 1: Break-Even Analysis of All Hotels and Motels



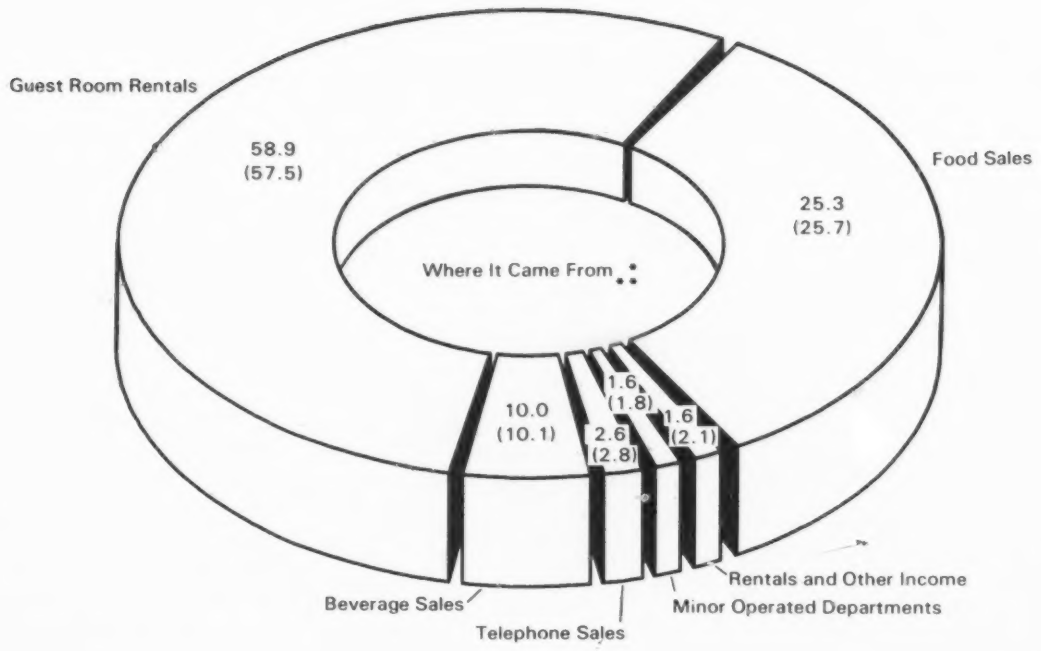
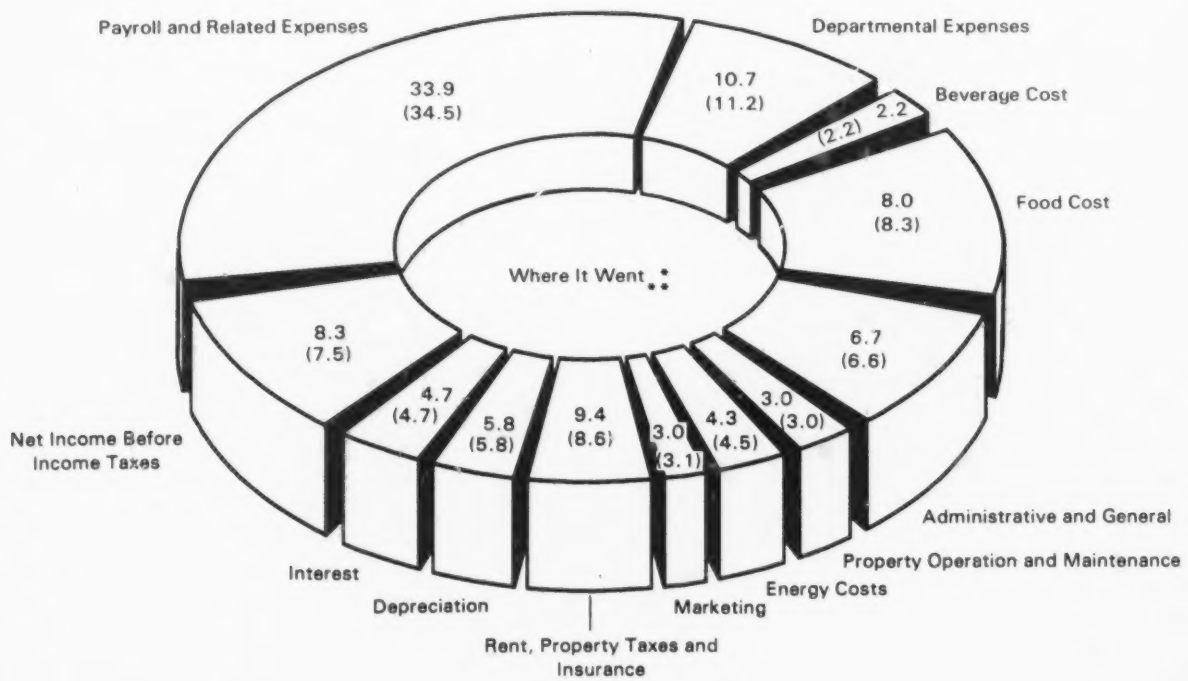


Chart 2: The U.S. Lodging Industry Dollar

**Based on the arithmetic mean.*
***1978 amounts (in parentheses)*



er's figures and additional columns for the selected medians. Evaluation of the variances should produce sufficient information to permit isolation of any problem areas for further study.

Market data

The sources of business and composition of the market for the lodging establishments covered by the study are shown in Exhibit 1, broken down by location, and by those that reported more or less than 50 percent conference participants. Although a similar exhibit has been included in *Worldwide Lodging Industry* (issued by Horwath & Horwath International) since its inception, this is only the second time that the information has been analyzed for *U.S. Lodging Industry*.

Businessmen make up the largest portion of the market for commercial lodging in the United States. Conference participants, who typically combine both business and pleasure while traveling, compose the next largest share of the market. There are significant differences in the makeup by location:

- Airport and highway properties have the high-

Exhibit 1
Market Data*

	Location					Market	
	Center City	Airport	Suburban	Highway	Resort	Convention	Other
Source of Business							
Domestic	81.0%	91.8%	90.3%	90.3%	84.5%	78.6%	86.7%
Foreign	19.0	8.2	9.7	9.7	15.5	21.4	13.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Repeat Business	50.2%	45.0%	50.1%	43.4%	39.8%	49.8%	49.0%
Composition of Market							
Government Officials	9.7%	4.3%	4.4%	3.8%	1.2%	2.2%	6.0%
Businessmen	40.0	55.0	49.5	52.9	10.2	16.8	44.2
Tourists	14.3	9.5	22.6	28.2	63.4	16.6	26.7
Conference Participants	24.0	26.0	17.4	8.4	21.6	62.0	17.6
Other	12.0	5.2	6.1	6.7	3.6	2.4	5.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Advance Reservations	73.7%	90.0%	75.4%	72.6%	83.9%	61.3%	81.2%
Composition of Advance Reservations							
Direct	39.3%	41.2%	36.3%	45.6%	39.0%	42.4%	38.2%
Reservation Systems	28.4	43.8	40.3	38.6	25.1	31.4	34.5
Travel Agents & Tour Operators	21.0	10.0	14.7	14.8	31.6	17.8	20.4
Other	11.3	5.0	8.7	1.0	4.3	8.4	6.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Ratio of Travel Agent Commissions to Room Sales	.7%	.5%	.3%	.3%	1.6%	.7%	.8%

*Based on those supplying detail.

est percentage of businessmen, receiving more than 50 percent of their demand from this source.

- Next to resorts, the highway and suburban locations have the highest percentage of tourists, each receiving approximately one-quarter of their business from this market.
- Conference participants were more predominant in the airport and center city establishments.
- Center city properties also attracted the largest number of guests traveling on family or personal business, the "other" category.

The nationality of guests staying at establishments in different areas of the country is shown in Exhibit 2. As expected, the nearest neighbors of the U.S. dominate the international visitors, although Great Britain, Japan and South America supplied a significant number of visitors. Canadians were more numerous in the Northern regions of the country while Mexicans and South Americans were more frequent in the Southern and Western regions. The number of visitors from the Middle East increased substantially from 1978 as a percentage of international guests, particularly in the Northeast.

Exhibit 2
Nationality of Guests*

		Area				
	All Establishments	North-East	South-East	North Central	South Central	West
U.S.A.	83.9%	72.6%	72.6%	91.8%	82.2%	87.9%
International	16.1	27.4	27.4	8.2	17.8	12.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Other Nationalities—Ratio to Total International						
Canadian	20.9%	22.1%	22.1%	52.9%	9.9%	24.7%
Mexican	22.1	2.2	5.8	2.1	41.4	20.3
Japanese	7.5	6.6	5.8	10.1	6.7	10.2
British	11.7	10.3	10.2	11.3	12.5	12.1
South American	9.9	7.4	23.5	2.1	9.4	6.4
German	4.4	5.1	5.8	8.2	1.9	6.4
Other European	4.7	9.6	3.6	2.1	2.7	7.6
Central American	4.4	4.4	5.8	1.0	5.9	1.9
Australasian	1.1	2.2	.7	—	.6	2.6
Italian	1.8	5.1	.7	2.1	1.6	—
French	2.9	6.7	1.4	2.1	2.7	1.9
Middle Eastern	4.2	12.5	6.6	4.0	1.9	.7
Other Asian	2.4	2.9	5.1	—	1.9	1.9
Scandinavian	1.4	2.2	2.9	1.0	.3	2.6
African	.6	.7	—	1.0	.6	.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Based on those supplying detail.

Profile of the contributors

The typical contributor to the study is identified and defined in Exhibit 3 and the highlights of the analyses of operating results are presented in Exhibit 4. Chart 2 (page 27) is a visual representation of the source and distribution of the lodging industry dollar compared with the previous year. The arithmetic mean of the responses forms the basis for the chart.

In general, the comparison shows that even though the occupancy rate declined slightly during 1979, increases in room rates and menu prices enabled management to stay ahead of the rapid increase in the cost of doing business. Administrative and general expenses and rent, property taxes and insurance were the only expenditures requiring a larger portion of the revenue dollar, while payroll and related expenses and other direct departmental expenses took somewhat smaller portions. Continuing a trend that has been apparent for more than 10 years, food and beverage sales contributed a smaller proportion of the revenue dollar and this decline was offset by the contribution from room sales. Telephone sales, minor operated departments and rentals and other income also made up a smaller portion of the revenue dollar. Room sales make up an increasing portion of total revenue primarily because menu and other price increases have failed to keep pace with room rates.

The break-even point of the contributors is displayed in Chart 1 (page 26). In 1979, room occupancy of 58.3 percent was required to cover fixed and variable expenses, down only slightly from

Exhibit 3
General Profile of Typical Contributor—Based on Various Measures of Central Tendency

Criteria	Category of Typical Contributor
Age	Built during the period 1970-1979
Size	150-299 Rooms
Occupancy	70-79%
Average Rate	$25-$34.99
Sales Volume	$1,400,000-$2,499,999
Restaurant Operation	Operates a restaurant in which the volume of food and beverage sales is less than 50% of room sales
Other Management Operating Results	Affiliated with a chain; reported net income before income tax in 1979.

1978. Fixed expenses of $5,938 per room include the fixed portion of operating expenses and rent as well as those other costs that do not vary with a change in occupancy, such as property taxes and insurance, interest, depreciation and amortization. For 1979, variable expenses were 60 percent of total revenue, 4.8 percent higher than the ratio of 1978, while fixed expenses increased by 7.4 percent.

Impact of inflation

A significant portion of the increase in total revenue in 1979 was due to the increase in prices necessitated by the higher costs of doing business. As occupancies and double occupancies both declined during the year, increases in rates and menu prices contributed the only source of growth. While almost all of the revenue components exhibited sharp increases, each of the expense items also increased, nearly offsetting the higher rates. The following analysis illustrates the impact of inflation on the cost of doing business:

	1979 Increase
Food Cost	12.6%
Beverage Cost	17.1
Payroll & Related Expenses	16.5
Other Departmental Expenses	7.0
Undistributed Operating Expenses (other than payroll):	
Administrative & General	18.0
Marketing	15.2
Energy Costs	10.8
Property Operation & Maintenance	16.6%

Exhibit 4
Highlights*

- Room occupancy in 1979 was 71.2 percent, 1.2 percent lower than in 1978.
- The average daily rate per occupied room increased over 11 percent from $27.80 in 1978 to $30.96.
- Total sales per available room were 9 percent greater than in 1978.
- The net cost of energy per occupied room per day declined slightly for the second straight year.
- Median net income before income taxes increased from 5.9 percent of total sales to 8.9 percent.

*All figures are medians.

Performance measurements

Exhibit 5 shows a comparison of the median amounts of total sales, income before fixed charges and net income before income taxes for 1979 and 1978. The rate groups have been identified alphabetically because the ranges, especially in the lower levels, must be changed each year to reflect inflationary increases. The ranges for 1979 and 1978 are:

	Rate Range	
Group	1979	1978
A	Under $25.00	Under $23.00
B	$25-$34.99	$23-$27.99
C	$35-$44.99	$28-$35.99
D	$45 and over	$36 and over

The amounts were generally higher in 1979 than in 1978 for all three measurements, although not

Exhibit 5
Comparison of Sales and Profitability by Selected Criteria

	Total Sales		Income Before Fixed Charges		Net Income (Loss) Before Income Tax	
	1979	1978	1979	1978	1979	1978
Age						
Built Pre-1940	$18,920	$14,477	$5169	$2512	$1595	$ 622
1940-1959	16,052	13,867	3376	3198	1578	768
1960-1969	12,606	10,827	3174	3048	1025	753
1970s	12,709	12,385	3817	3518	849	624
Size						
Under 150 Rooms	$ 9853	$ 9881	$2553	$2653	$ 560	$ 614
150-299	12,544	10,966	3756	3181	1017	695
300-600	17,078	16,042	4817	3876	1543	774
Over 600	18,752	15,585	5444	3833	2562	801
Rate*						
A	$ 7633	$ 7507	$1932	$2197	$ 72	$ 393
B	11,877	10,705	3546	2937	884	753
C	17,545	14,641	4810	3657	2533	752
D	27,740	20,759	8210	5590	3216	1216
Occupancy						
Under 50%	$ 6898	$ 7575	$1315	$1914	$ (51)	$ 337
50-59%	8635	7490	1554	1694	(49)	183
60-69%	11,078	11,159	2769	2729	670	548
70-79%	14,043	13,894	4026	3564	1373	795
80% & Over	18,099	14,593	5652	4357	2703	1669
Restaurant Not Operated	$ 8621	$ 6698	$4018	$2832	$1032	$ 689
Restaurant Operated—Total Food & Beverage Sales Ratio to Room Sales						
Under 50% of Room Sales	$10,707	$ 9709	$3028	$2945	$ 852	$ 831
50-74%	14,482	12,574	3481	3137	764	471
75-99%	19,374	16,712	5079	3747	1780	818
100% & Over	21,165	19,254	4525	4305	1644	1083
Median, All Establishments	$12,913	$11,808	$3682	$3198	$ 956	$ 701

*See above.

uniformly in all groups. For all groups, the median total sales per available room was up 9.4 percent. The higher rate groups and the older establishments showed the largest increases, with the hotels built prior to 1940 reporting a 30.7 percent jump in total sales. Most of the establishments were able to translate the sales increase into a higher income before fixed charges, but properties with low occupancies and those with low rates experienced a decline in earnings. This pattern was also apparent when analyzing net income before income tax. The median net income before income taxes was up 36.4 percent for all establishments, but properties with less than a 60 percent occupancy rate dropped from a small net income to a net loss for the year.

Other yardsticks used to increase performance are shown in Exhibit 6 – General Statistics. The ratio of income before fixed charges to room sales declined slightly for all establishments, with 12 of the 22 groups reporting a drop in this measure. The number of times the average room rate was earned also decreased from 118 in 1978 to 115 in 1979. Declines in these efficiency measures were widespread and, with the exception of properties showing high occupancy rates and high room rates, nearly

(text continued on page 35)

Exhibit 6
General Statistics

	Ratio of Income Before Fixed Charges To				Number of Times Average Rate Was Earned	
	Room Sales		Total Sales			
	1979	1978	1979	1978	1979	1978
Age						
Built Pre-1940	34.3%	29.3%	19.5%	17.5%	98	72
1940–1959	45.0	39.9	26.7	26.8	90	100
1960–1969	43.2	45.6	26.5	26.9	112	121
1970s	45.8	46.6	29.5	28.3	117	125
Size						
Under 150 Rooms	39.5%	42.2%	24.7%	25.4%	95	111
150–299	45.9	46.1	28.8	29.1	118	126
300–600	46.0	46.3	29.8	25.8	127	118
Over 600	45.0	40.7	28.4	26.1	118	99
Rate*						
A	34.4%	41.9%	20.7%	25.7%	86	108
B	44.2	45.3	28.0	29.1	115	114
C	47.4	46.1	29.2	26.6	121	122
D	51.4	46.9	30.0	26.6	152	130
Occupancy						
Under 50%	29.2%	39.1%	15.7%	20.7%	49	67
50–59%	28.3	31.6	19.2	18.4	57	62
60–69%	41.5	39.8	25.7	25.1	96	97
70–79%	44.9	46.9	29.0	26.9	124	128
80% & Over	52.9	49.8	33.3	31.2	163	159
Restaurant Not Operated	47.7%	45.2%	42.8%	39.9%	135	114
Restaurant Operated—Total Food & Beverage Sales Ratio to Room Sales						
Under 50% of Room Sales	43.6%	43.2%	30.6%	30.5%	109	118
50–74%	41.3	43.7	24.4	25.6	104	116
75–99%	46.2	45.6	24.5	22.9	126	122
100% & Over	46.6	52.8	20.3	21.3	117	135
Median, All Establishments	43.8%	44.7%	27.3%	26.9%	115	118

*See page 32.

Exhibit 7
Net Income Differential*

	Lodging Facilities Reporting		Net Income Facilities Higher or (Lower) By
	Net Income	Net Loss	
Occupancy	73.6%	64.3%	14.5%
Double Occupancy	34.6	30.2	14.6
Average Rate	$31.48	$27.53	14.3
Amount Per Available Room			
Sales			
Rooms	$8563	$6064	41.2
Food	2836	2047	38.5
Beverage	1379	1151	19.8
Other	609	419	45.3
Total Sales	$13,119	$9693	35.3
Payroll & Related Expenses	3805	3211	18.5
Undistributed Expenses (Excluding Payroll)			
Administrative & General	987	973	1.4
Marketing	460	419	9.8
Energy Costs	618	598	3.3
Property Operation & Maintenance	405	346	17.1
Income Before Fixed Charges	4090	1716	138.3
Fixed Charges	2272	2140	6.2
Net Income (Loss) Before Income Tax	$1607	$(428)	—
Number of Times Rate Was Earned	127	60	111.7
Net Cost of Operation Per Dollar of Average Room Rate	$.142	$158	(10.1)
Ratio of Income Before Fixed Charges to:			
Room Sales	46.9%	29.5%	59.0
Total Sales	30.6	17.5	74.9
Cost of Food Sales (After Credit For Employees' Meals)	35.7¢	37.9¢	(5.8)
Cost of Beverage Sales	21.8¢	22.9¢	(4.8)
Departmental Income—Ratio to Room Sales	10.4%	7.7%	35.1
Productivity Index			
Food & Beverage	2.553	2.218	15.1
Total	3.312	2.885	14.8
Balance Sheet Ratios			
Current Position	$.87	$.83	4.8
Accounts Receivable Ratio to Total Sales	3.5%	2.2%	59.1
Food Inventory Turnover	29	32	(9.4)
Beverage Inventory Turnover	8	11	(27.3)
Ratio of Total Sales to Total Assets	98.4%	67.7%	45.3
Ratio of Net Income Before Income Taxes to Total Sales	12.1%	(4.2)%	—
Return on Total Assets	11.9%	(2.8)%	—

*All figures are medians.

(continued from page 33)

all of the groups were affected adversely during the year.

More than 75 percent of the properties that provided full financial details reported net income before income taxes in 1979, down slightly from 78 percent in 1978. While approximately the same number of properties were able to report a profit, their profit margins were severely strained. Exhibit 7 shows the difference between those reporting net income and net loss.

Occupancy and average rate in properties reporting net income exceeded those in operations reporting a net loss by more than 14 percent; therefore, the net income properties were able to generate considerably higher sales per available room. Even though payroll and related expenses were 18.5 percent, there were only minor variances in most of the undistributed expenses so that profitable operations had more than twice as much operating income. In general, higher revenue was generated in those properties reporting net income from relatively lower expenditures. This translated into higher productivity, lower food and beverage costs and much better utilization of assets.

In 1979, the three measurements of return on investments usually used to gauge management performance increased substantially over 1978 for the entire sample. Return on assets was higher in nearly all groups, the low volume properties reporting the only decline in this measure. That yardstick is shown by category in Exhibit 8 together with comparisons with 1978. Turnover (sales per

Exhibit 8
Return on Total Assets*

	Turnover[1]	Earnings Ratio[2]	Rate of Return or (Loss)[3] 1979	1978
Age				
Built Pre-1940	$1.30	8.6%	11.2%	5.8%
1940-1959	.96	13.8	13.2	4.9
1960-1969	1.00	9.7	9.7	6.7
1970s	.88	7.4	6.5	3.1
Size				
Under 150 Rooms	$ .92	5.9%	5.4%	4.1%
150-299	.85	9.2	7.8	5.4
300-600	1.21	10.7	12.9	3.3
Over 600	1.85	11.5	21.3	6.3
Total Sales				
Less than $1,400,000	$ .84	1.3%	1.1%	3.6%
$1,400,000-$2,499,999	.80	8.2	6.6	5.6
$2,500,000-$5,999,999	.94	11.9	11.2	4.8
$6,000,000 & Over	.88	10.4	17.5	4.9
Restaurant Not Operated	$ .85	14.0%	11.9%	6.8%
Restaurant Operated — Total Food & Beverage Sales Ratio to Room Sales				
Under 50% of Room Sales	$ .91	9.5%	8.6%	7.0%
50-74%	1.00	4.9	4.9	3.4
75-99%	1.16	9.8	11.4	3.8
100% & Over	1.82	7.7	14.0	4.2
Median, All Establishments	$ .94	8.9%	8.4%	4.8%

[1]Total sales divided by total assets.
[2]Ratio of net income before income tax or (loss) to total sales.
[3]Turnover times earnings ratio — all figures are computed.
*All figures are medians.

dollar of total assets) was only moderately higher than in 1978, but the earnings ratio (ratio of net income before taxes to total sales) was up by 50 percent for all establishments and produced the better returns. The rates of return on invested capital (interest-bearing debt plus equity) and stockholders' equity are shown in Exhibit 9 for selected groups and for all establishments that provided us with sufficient details.

Comparisons of the various performance measurements for independent properties and those affiliated with a chain are shown in Exhibit 10. The

(text continued on page 38)

Exhibit 9
Return on Investment*

	Return on Invested Capital[1]	Return on Equity[2]
Age		
Built Pre-1940	14.1%	13.1%
1940-1959	9.8	15.5
1960-1969	11.1	15.8
1970s	11.1	18.2
Size		
Under 150 Rooms	8.9%	17.3%
150-299	11.1	12.4
300-600	16.3	14.3
Over 600	11.0	24.4
Occupancy		
Under 50%	(8.3)%	(.2)%
50-59%	3.1	(.6)
60-69%	9.6	17.2
70-79%	10.8	11.4
80% & Over	18.4	24.4
Restaurant Not Operated	13.9%	30.5%
Restaurant Operated—Total Food & Beverage Sales Ratio to Room Sales		
Under 50% of Room Sales	11.5%	15.5%
50-74%	9.5	15.0
75-99%	8.4	9.6
100% & Over	17.5	16.5
Median, All Establishments—1979	11.1%	15.5%
Median, All Establishments—1978	12.8%	14.5%

[1]Ratio of net income after income tax, but before interest, to total interest bearing debt and equity.
[2]Ratio of net income after income tax to stockholders' equity.
*All figures are medians.

Exhibit 10
Independent and Chain Affiliated*

	Independent	Chain-Affiliated	Independent Differs By
Occupancy	82.0%	71.1%	15.3%
Double Occupancy	38.4	34.3	12.0
Average Rate	$ 40.14	$ 30.86	30.1
Amount Per Available Room			
Sales			
Rooms	$ 9813	$ 8138	20.6
Food	4170	2750	51.6
Beverage	1717	1356	26.6
Other	1382	564	145.0
Total Sales	$15,638	$12,878	21.4
Payroll & Related Expenses	3815	7125	(46.5)
Undistributed Expenses (Excluding Payroll)			
Administrative & General	969	989	(2.0)
Marketing	437	452	(3.3)
Energy Costs	858	617	39.1
Property Operation & Maintenance	428	402	6.4
Income Before Fixed Charges	4619	3656	26.3
Fixed Charges	2999	2249	33.3
Net Income (Loss) Before Income Tax	$ 1249	$ 941	32.7
Number of Times Rate Was Earned	143	114	25.4
Net Cost of Operation Per Dollar of Average Room Rate	$ 129	$ 145	11.0
Ratio of Income Before Fixed Charges to:			
Room Sales	52.7%	43.6%	20.9
Total Sales	31.8	26.8	18.7
Cost of Food Sales (After Credit for Employees' Meals)	38.9¢	35.9¢	8.4
Cost of Beverage Sales	24.2¢	22.1¢	9.5
Departmental Income—Ratio to Room Sales	10.3%	9.7%	6.2
Productivity Index			
Food & Beverage	2.841	2.499	13.7
Total	3.107	3.200	2.9
Balance Sheet Ratios			
Current Position	$ 1.25	$ .91	37.4
Accounts Receivable Ratio to Total Sales	5.5%	3.3%	66.7
Food Inventory Turnover	29	30	3.3
Beverage Inventory Turnover	8	9	(11.1)
Ratio of Total Sales to Total Assets	100.4%	93.7%	7.2
Ratio of Net Income Before Income Taxes to Total Sales	8.1%	9.1%	(11.0)
Return on Total Assets	8.1%	8.5%	(4.7)

*All figures are medians.

(continued from page 36)

independents performed consistently better than the chain-affiliated properties, achieving higher occupancies and average rates more than 30 percent higher. The combination of these two factors enabled the independents to boost total sales per available room to $15,638, more than 21 percent higher than the chain-affiliated properties. Lower expenses, especially payroll and related expenses, enabled the independents to bring a larger share of their higher revenue to the bottom line, with income before fixed charges per available room exceeding that of the chain-affiliated properties by more than 26 percent. Even though the independents also achieved a higher asset turnover, lower profit margins pushed their return on total assets to nearly 5 percent below the chain-affiliated properties.

Significant performance measurements for the sample broken down by location in relation to major markets are shown in Exhibit 11. Occupancy was highest for center city and resort properties, but was below that reported in 1978 for highway, suburban and airport properties. Double occupancy was lower in all categories except center city, while increases in average rates ranged from 7 percent in the center city properties to 20 percent for the resorts. Although payroll and related expenses and other operating expenses also increased, income before fixed charges was higher in all locations except for highway properties. Fixed charges varied only slightly, so that net incomes also were generally higher.

Analysis of sales

The departmental profits contributed by the various income producing departments vary considerably in relation to sales, with rooms generally being the most productive in total amount while rentals and other income generates the highest margin. For that reason, it is advisable when making comparisons to seek the groups that are most like your operation

(text continued on page 40)

Exhibit 11
Comparison of Data by Location*

	Center City		Airport		Suburban		Highway		Resort	
	1979	1978	1979	1978	1979	1978	1979	1978	1979	1978
Occupancy	70.9%	67.9%	78.2%	79.9%	72.7%	75.2%	67.6%	71.3%	68.5%	68.3%
Double Occupancy	34.8	34.6	22.4	26.8	31.0	36.5	34.6	38.7	89.4	92.2
Average Rate	$ 36.08	$ 33.69	$ 31.44	$ 27.88	$ 30.44	$ 26.72	$27.16	$23.76	$ 39.77	$ 31.83
Amount Per Available Room										
Sales										
Rooms	$ 9076	$ 8214	$ 9310	$ 8012	$ 8432	$ 7038	$ 6465	$ 6028	$10,608	$ 7733
Food	3849	3588	2698	3142	2965	2583	2132	2626	4171	4214
Beverage	1502	1434	1366	1401	1542	1367	1061	1012	1736	1530
Other	922	850	568	620	504	498	399	433	1095	827
Total Sales	$16,313	$14,806	$13,114	$13,445	$13,052	$11,308	$ 9783	$ 9687	$17,135	$14,765
Payroll & Related Expenses	6373	5761	3900	3664	3706	3393	3059	2928	4231	4495
Undistributed Expenses (Excluding Payroll)										
Administrative & General	1190	1005	1093	877	881	824	855	663	1013	819
Marketing	549	475	418	382	406	412	413	409	676	555
Energy Costs	692	630	540	533	646	602	578	552	780	674
Property Operation & Maintenance	454	406	402	294	348	343	345	304	546	416
Income Before Fixed Charges	3639	3205	4621	4139	4087	3247	2594	2709	4906	3463
Fixed Charges	2510	2313	2219	2656	2308	2213	2040	2157	3172	2606
Net Income (Loss) Before Income Tax	$ 1192	$ 542	$ 1812	$ 1145	$ 1354	$ 916	$ 545	$ 624	$ 2128	$ 472
Number of Times Rate Was Earned	104	98	145	147	117	121	100	114	131	110
Net Cost of Operation Per Dollar of Average Room Rate	$ 15	$ 149	$ 149	$ 139	$ 143	$ 142	$ 143	$ 140	$ 143	$ 134
Ratio of Income Before Fixed Charges to:										
Room Sales	41.7%	39.9%	47.4%	47.1%	47.0%	45.0%	41.5%	44.9%	52.2%	43.7%
Total Sales	24.7	23.0	31.0	30.1	29.6	28.3	25.5	27.5	31.2	26.9
Cost of Food Sales (After Credit For Employees' Meals)	33.9¢	33.6¢	35.6¢	35.8¢	35.9¢	37.2¢	37.2¢	38.6¢	35.4¢	38.7¢
Cost of Beverage Sales	22.4¢	22.0¢	21.6¢	21.8¢	21.9¢	22.9¢	22.6¢	24.1¢	21.9¢	23.6¢
Departmental Income Ratio to Room Sales	8.9%	9.6%	10.7%	11.6%	11.4%	10.6%	9.3%	14.5%	10.7%	14.3%
Productivity Index										
Food & Beverage	2.900	2.224	2.503	2.773	2.546	2.744	2.622	2.862	2.897	3.045
Total	2.252	2.754	3.316	3.335	3.360	3.375	3.261	3.439	3.411	3.512
Balance Sheet Ratios										
Current Position	$1.09	$1.04	$ .94	$ .79	$ .98	$ .94	$ .72	$ .57	$ .93	$ .88
Accounts Receivable Ratio to Total Sales	5.1%	4.9%	3.3%	3.9%	3.3%	2.8%	1.9%	2.6%	4.0%	3.7%
Food Inventory Turnover	30	27	31	31	34	28	26	23	24	24
Beverage Inventory Turnover	8	9	9	9	11	10	13	8	7	11
Ratio of Total Sales to Total Assets	138.1%	91.4%	92.9%	68.4%	79.2%	76.1%	85.3%	77.8%	89.1%	77.4%
Ratio of Net Income Before Income Taxes To Total Sales	8.6%	4.3%	14.8%	10.8%	10.0%	7.1%	5.2%	6.0%	11.9%	4.1%
Return on Total Assets	11.9%	6.4%	13.7%	6.9%	7.9%	6.0%	4.4%	6.5%	10.6%	2.9%

*All figures are medians.

(continued from page 38)

in composition of sales. The breakdown for selected categories is shown in Exhibit 12, based on the arithmetic means in order to establish absolute values.

Exhibit 13 presents a breakdown of department sales per guest stay. Properties catering primarily to conventions and those located in center city have

Exhibit 12
Composition of Sales*

	Age				Size				Location	
	Built Pre-1940	1940–1959	1960–1969	1970s	Under 150 Rooms	150–299	300–600	Over 600 Rooms	Center City	Airport
Rooms	56.6%	61.0%	65.0%	63.9%	67.0%	64.3%	60.8%	56.9%	61.2%	6.8%
Food	25.9	25.2	20.4	20.5	19.0	21.1	22.1	26.1	22.8	19.0
Beverage	8.5	8.0	8.5	9.9	8.8	9.1	9.1	10.0	9.0	8.9
Telephone	2.5	2.5	2.6	2.6	2.4	2.5	2.8	2.7	2.6	3.0
Minor Operated Departments	2.6	1.5	1.0	1.2	.8	1.1	1.9	1.8	1.9	.5
Rentals & Other Income	3.9	1.8	2.5	1.9	2.0	1.9	3.3	2.5	2.5	1.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.

Exhibit 13
Sales Per Guest Stay*

	Location					Market		Those Reporting	
	Center City	Airport	Suburban	Highway	Resort	Convention	Other	Net Income	Net Loss
Rooms	$110.04	$62.64	$ 60.12	$38.27	$39.57	$ 64.62	$ 65.78	$ 70.38	$ 60.28
Food	53.96	23.63	43.41	11.46	24.98	55.63	30.79	39.44	39.89
Beverage	19.34	9.25	17.20	7.83	9.23	19.17	12.68	14.54	15.17
Telephone	5.87	2.66	2.24	2.28	1.46	2.57	3.57	3.39	2.82
Minor Operated Departments	4.56	.62	1.58	.28	8.56	22.83	1.79	3.27	12.11
Rentals & Other Income	4.00	.92	4.30	.51	1.97	2.89	2.47	2.73	1.57
Total	$197.77	$99.72	$128.85	$60.63	$85.77	$167.71	$117.08	$133.75	$131.84
Operating Expenses Per Guest Stay	$121.97	$52.43	$ 66.04	$31.73	$53.93	$169.83	$ 70.18	$ 63.38	$ 71.78
Average Stay (Days)	2.4	1.7	1.6	1.5	1.6	2.5	1.6	1.8	1.6

*Based on arithmetic mean.

the greatest length of stay and the highest revenue per stay. Surprisingly, the resort properties fell substantially from the levels achieved in 1978 in both of these measures. The entire sample is covered by the breakdown by location, while only those reporting source of business are included in the market groups.

Location			Restaurant Not Operated	Restaurant Operated Total Food & Beverge Sales Ratio to Room Sales				Reporting	
Suburban	Highway	Resort		Under 50%	50–74%	75–99%	100% & Over	Net Income	Net Loss
62.4%	66.2%	58.5%	88.7%	71.1%	59.0%	50.5%	43.0%	64.2%	63.3%
22.0	19.6	24.7	—	17.1	24.3	30.0	33.5	20.7	21.6
9.1	9.4	8.4	—	6.6	11.2	13.3	14.4	8.8	9.7
2.5	2.5	1.9	4.4	2.6	2.5	2.2	1.9	2.6	2.5
1.1	.6	3.1	1.1	1.0	.9	1.7	4.0	1.3	1.3
2.9	1.7	3.4	5.8	1.6	2.1	2.3	3.2	2.4	1.6
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The relative significance of the telephone department, minor operated departments, and rentals and other income is shown in Exhibit 14. The telephone department, contributing from 2 to 3 percent of total sales, failed to produce revenue adequate to offset the cost of calls and rental of equipment in all of the groups. Properties catering to conventions, resorts and larger hotels received significant income from the minor operated departments, and in most groups this department contributed income to cover fixed expenses and other undistributed expenses.

Occupancy and average rates

The medians of room occupancy, double occu-

Exhibit 14
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios To Sales*

	Size				Location					Market	
	Under 150 Rooms	150-299 Rooms	300-600 Rooms	Over 600 Rooms	Center City	Airport	Suburban	Highway	Resort	Convention	Other
Telephone											
Sales	$ 277	$357	$ 500	$ 547	$ 508	$418	$374	$292	$ 312	$ 430	$411
Cost of Sales											
Cost of Calls	249	310	432	442	414	354	334	256	285	367	328
Equipment Rental	82	58	79	124	95	46	74	78	104	103	78
Total	317	364	506	512	507	403	384	317	411	471	415
Payroll & Related Expenses	27	105	144	128	138	103	111	53	131	113	119
All Other Expenses	4	6	8	3	6	5	2	2	5	1	8
Total Costs & Expenses	307	378	638	701	609	422	416	311	501	576	511
Net Departmental Income or (Loss)	$ (50)	$ (52)	$(106)	$(172)	$(113)	$ (44)	$ (46)	$ (54)	$(144)	$(146)	$ (75)
Ratio To Total Sales											
Sales	2.7%	2.7%	2.7%	2.5%	2.8%	3.1%	2.6%	2.7%	1.8%	2.1%	2.7%
Cost of Sales	2.5	2.4	2.3	2.1	2.3	2.6	2.2	2.5	1.7	1.6	2.3
Payroll & Related Expenses	.1	.5	.5	.7	.8	.5	.5	.4	.6	.5	.6
Minor Operated Departments											
Sales	$ 68	$ 62	$ 274	$ 315	$ 257	$ 56	$ 75	$ 59	$ 440	$ 609	$276
Cost of Sales	39	46	89	45	59	39	47	39	259	363	131
Payroll & Related Expenses	106	87	106	153	147	101	65	96	181	**	137
Other Expenses	67	36	15	13	21	21	26	45	44	259	20
Total Costs & Expenses	140	101	211	151	163	94	136	98	259	452	254
Net Departmental Income	$(111)	$ 1	$ 10	$ 55	$ 14	$ (7)	$ (4)	$ (1)	$ 8	$ 98	$ 11
Ratio To Total Sales											
Sales	.7%	.5%	1.3%	1.6%	1.6%	.5%	.4%	.6%	2.2%	3.7%	1.7%
Cost of Sales	.4	.4	.6	.2	.3	.3	.4	.3	1.9	2.1	1.1
Payroll & Related Expenses	1.1	.9	.5	.6	.8	.9	.5	1.0	.9	4.5	.5
Rentals & Other Income											
Space Rentals	$ 134	$ 30	$ 85	$ 147	$ 106	$ 39	$ 43	$ 29	$ 105	$ 151	$ 56
Concessions	27	27	31	25	26	27	27	29	49	70	18
Commissions	15	18	26	31	19	17	22	18	56	27	34
Other	14	35	72	113	68	42	20	17	131	111	72
Total Rentals & Other Income	$ 45	$ 70	$ 203	$ 342	$ 157	$ 94	$ 55	$ 48	$ 343	$ 292	$143
Ratio To Total Sales	.4%	.7%	1.4%	1.4%	1.3%	.7%	.4%	.5%	2.0%	1.4%	1.0%

*Based on those supplying detail.
**Insufficient data.

pancy and average room rate for 1979 are shown in Exhibit 15 for selected groups, together with comparative 1978 figures. Room occupancies were moderately lower for the year, dropping from 72.1 percent in 1978 to 71.2 percent in 1979. Double occupancies also dropped slightly during the year, but as in room occupancies the decline was not widespread and a number of groups actually reported increases. The average room rate increased more than 11 percent for the entire sample, slightly less than the 12 percent in 1978. The average room rate was higher in every category; the increase was particularly sharp in the Northeast and the largest properties.

Exhibit 15
Occupancy, Double Occupancy and Average Rate*

	Percentage of Occupancy		Percentage of Double Occupancy		Average Room Rate	
	1979	1978	1979	1978	1979	1978
Age						
Built Pre-1940	72.0%	64.0%	30.7%	35.8%	$39.87	$33.54
1940-1959	72.9	72.3	39.2	42.4	32.47	30.54
1960-1969	71.1	73.1	31.5	37.2	29.47	25.82
1970s	70.9	72.8	34.7	31.5	31.49	27.92
Size						
Under 150 Rooms	68.0%	70.9%	35.3%	40.0%	$26.69	$24.45
150-299	71.5	74.2	29.8	32.8	30.71	26.10
300-600	77.0	73.7	34.4	31.9	36.87	34.00
Over 600	69.6	69.4	37.0	38.1	43.10	36.93
Area						
Northeast	75.4%	73.5%	30.4%	27.6%	$41.51	$27.94
Southeast	67.8	67.8	42.5	47.8	28.69	27.80
North Central	69.3	70.9	28.7	32.8	29.63	27.91
South Central	70.9	73.7	35.3	31.9	29.14	25.66
West	77.7	79.2	40.0	40.0	33.69	28.83
Total Sales						
Less than $1,400,000	64.4%	65.3%	35.6%	42.4%	$25.64	$23.32
$1,400,000-$2,499,999	69.4	74.2	26.9	30.5	28.50	24.49
$2,500,000-$5,999,999	76.9	75.4	34.9	31.2	33.48	29.04
$6,000,000 & Over	75.2	73.1	34.8	35.8	43.68	38.28
Restaurant Not Operated	77.7%	70.6%	29.7%	43.1%	$28.31	$24.13
Restaurant Operated—Total Food & Beverage Sales Ratio To Room Sales						
Under 50% of Room Sales	70.1%	71.2%	33.4%	35.4%	$28.81	$25.82
50-74%	70.3	72.8	34.5	31.9	31.49	27.80
75-99%	75.5	73.8	33.5	40.2	36.42	29.72
100% & Over	70.3	70.6	40.0	35.0	34.97	31.92
Median, All Establishments	71.2%	72.1%	34.4%	35.6%	$30.96	$27.80

*All figures are medians.

Restaurant operations

The analysis of restaurant operations is displayed in Exhibits 16 to 18 (pages 45-49). The ratios to food and beverage sales for selected groups are shown in Exhibit 16; statistics of sales per room and per seat, and average receipt per guest and other measurements are presented in Exhibit 17. The major ingredients of operating cost, the cost of sales and cash payroll, sometimes called the "prime cost," are shown for the sample in Exhibit 18, broken down by volume of restaurant sales in relation to food sales.

Exhibit 16 contains the departmental ratios for operations with low and high food and beverage sales, low and high occupancy, those reporting net income and net loss, and those catering primarily to conventions.

To produce a fair share of the overhead costs of operating the establishment, the restaurant departmental profit should be at least 25 percent of departmental sales. On that basis, the median results of even the highest volume operations were not satisfactory. Generally poor productivity appears to be the major reason although the low occupancy group also had a relatively high cost of sales.

Sufficient information was again obtained from the contributors for a detailed analysis of sales per restaurant seat, average food check and similar statistics. The results are shown in Exhibit 17 for selected groups by size, by restaurant volume in relation to room sales, by location and for those catering primarily to conventions. A breakdown of room service sales per occupied room and per guest is also shown.

There are sharp differences between sales per room and sales per seat when the sample is broken down by size. This is partly due to the smaller banquet facilities in properties with fewer than 300 rooms, since average banquet checks are significantly higher than the overall average. Although the smaller properties have more dining room seats per 100 rooms (96 versus 49) they have fewer than 200 banquet seats per 100 rooms compared with more than 300 in the larger properties. Based on arithmetic means for each group, the number of seats per 100 rooms for all properties supplying the data and for those catering primarily to conventions compared as follows:

	Number of Seats Per 100 Rooms	
	All Establishments	Convention
Dining Room	77	98
Banquet	244	362
Bar/Lounge	45	57
Total	366	517

It is apparent that catering to conventions can mean the need for up to 40 percent more space than average for the food and beverage operation. By comparison, the highway properties have fewer than 350 seats per available room, although more than 75 percent of that is in dining rooms and lounges where somewhat more space is required.

(text continued on page 50)

Exhibit 16
Restaurant Operations—By Selected Criteria*

	Food & Beverage Sales Ratio to Room Sales		Occupancy		Establishments Reporting		Market
	Under 50%	100% & Over	Under 50%	80% & Over	Net Income	Net Loss	Convention
Sales							
Food	71.8%	71.5%	71.4%	70.9%	71.6%	70.5%	70.3%
Beverage	28.9	28.5	30.7	29.1	29.1	30.1	29.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Sales							
Cost of Food Consumed	38.7%	40.1%	41.4%	37.1%	38.3%	40.9%	39.5%
Less Cost of Employees' Meals	(2.5)	(3.4)	(3.0)	(3.2)	(2.7)	(2.6)	(4.0)
Cost of Food Sold	36.3%	36.4%	37.5%	34.9%	35.7%	37.9%	35.4%
Cost of Beverages Sold	23.0	21.1	24.0	21.0	21.8	22.9	20.3
Total Cost of Sales	32.2%	31.7%	34.3%	29.8%	31.3%	32.8%	31.5%
Gross Profit	67.8%	68.3%	65.7%	70.2%	68.7%	67.2%	68.5%
Public Room Sales	3.2	1.9	2.8	3.4	2.8	2.7	.4
Other Income	.1	.9	.4	.8	.4	.3	1.4
Total	70.9%	70.9%	68.4%	72.7%	71.1%	70.5%	68.9%
Departmental Expenses							
Payroll & Related Expenses	44.0%	35.1%	40.6%	39.3%	39.2%	45.1%	39.0%
China, Glassware, Silver & Linen	1.9	1.2	1.9	1.7	1.5	2.2	1.7
Contract Cleaning	.2	.2	.3	.2	.2	.2	.6
Kitchen Fuel	.5	.3	.7	.3	.4	.6	.3
Laundry & Dry Cleaning	.6	1.0	.4	1.0	.8	.7	.9
Licenses	.3	.1	.2	.2	.2	.2	.1
Music & Entertainment	2.6	2.8	4.0	2.8	2.7	3.2	2.8
Operating Supplies	2.8	1.7	2.6	2.1	2.4	2.8	2.5
Other Operating Expenses	.8	.6	.6	.7	.8	.7	.4
Uniforms	.6	.3	.6	.3	.4	.6	.2
All Other Expenses	1.5	1.1	1.7	1.2	1.2	1.6	2.8
Total	55.9%	48.5%	52.7%	49.3%	50.7%	56.9%	51.0%
Departmental Income	16.4%	21.5%	14.7%	22.1%	20.6%	14.6%	17.6%
Productivity Index	2.275	2.852	2.467	2.546	2.553	2.218	2.737

*All figures are medians and do not necessarily add to totals shown.

Exhibit 17
Food and Beverage Statistics—By Selected Criteria*

	Size				Food and Beverage Sales Ratio to Room Sales	
	Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms	Under 50%	50–74%
Food Sales—By Facility						
Amount Per Available Room						
Dining Room	$1583	$1700	$2078	$2495	$1360	$2087
Room Service	105	242	279	328	177	277
Banquet	429	694	1447	2007	406	1252
Bar/Lounge	106	23	193	84	38	69
Total	$2042	$2345	$3671	$4731	$1871	$3594
Ratio to Total Food Sales						
Dining Room	83.3%	71.0%	57.2%	49.8%	77.7%	60.7%
Room Service	3.1	5.4	6.1	7.4	7.5	6.3
Banquet	20.7	27.4	36.2	38.6	22.4	34.8
Bar/Lounge	1.4	.4	2.9	2.0	1.3	2.0
Amount Per Seat						
Dining Room	$2480	$3347	$3682	$3422	$2956	$3353
Banquet	319	479	526	637	302	505
Bar/Lounge	73	33	356	226	450	90
Total	$1160	$1202	$1299	$1379	$1193	$1042
Average Check						
Dining Room	$ 4.80	$ 4.24	$ 4.15	$ 4.99	$ 3.92	$ 4.58
Room Service	3.18	6.55	4.83	6.54	5.05	6.17
Banquet	6.40	7.07	8.64	11.31	7.93	9.01
Total	$ 4.33	$ 5.54	$ 5.13	$ 7.25	$ 4.72	$ 5.88
Covers Served Per Seat						
Dining Room	494	636	910	818	816	735
Banquet	70	66	61	75	53	66
Room Service Sales						
Per Occupied Room						
Food	$ .43	$ .83	$ 1.04	$ 1.54	$ .75	$ 1.09
Beverage	.06	.17	.20	.85	.15	.51
Total	$ .43	$ 1.01	$ 1.33	$ 2.45	$ .85	$ 1.56
Per Guest						
Food	$ .32	$ .69	$ .74	$ 1.18	$ .58	$ .81
Beverage	.10	.16	.15	.66	.11	.37
Total	$ .32	$ .84	$ .88	$ 1.96	$ .63	$ 1.19

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Food and Beverage Sales Ratio to Room Sales		Location					Market
75–99%	100% & Over	Center City	Airport	Suburban	Highway	Resort	Convention
$3701	$4267	$2063	$1998	$1615	$1450	$2906	$3536
321	270	282	200	234	174	226	397
1996	2836	1417	609	932	509	1343	2956
169	23	91	65	19	**	79	40
$5590	$7211	$3849	$2698	$2965	$2132	$4171	$6492
63.2%	61.0%	58.1%	76.2%	71.3%	74.3%	76.1%	51.7%
5.0	4.2	7.3	5.4	3.6	4.2	5.4	4.9
29.5	37.7	34.6	26.3	28.7	25.7	22.1	44.0
2.6	.3	2.0	2.6	.2	.7	1.7	.4
$3882	$4948	$3816	$2936	$4160	$2129	$3936	$3353
476	814	552	389	757	273	366	680
530	**	226	**	62	2128	255	134
$1535	$1353	$1372	$ 768	$1493	$ 715	$1139	$1175
$ 5.08	$ 6.19	$ 4.62	$ 4.39	$ 5.20	$ 3.79	$ 4.20	$ 4.99
5.97	7.19	6.50	5.77	4.74	5.27	5.07	6.46
8.79	8.04	9.60	7.71	6.85	5.24	9.82	8.16
$ 5.61	$ 7.71	$ 5.89	$ 4.59	$ 5.02	$ 2.99	$ 5.61	$ 5.85
629	538	767	595	448	602	1063	677
83	103	70	60	122	57	55	102
$ 1.23	$ 1.14	$ 1.19	$ .71	$ .81	$ .68	$ .82	$ 1.51
.36	.38	.44	.17	.15	.25	.17	.85
$ 1.42	$ 1.62	$ 1.62	$ .89	$ .93	$ .72	$ .95	$ 2.36
$ .86	$ .88	$ .94	$ .62	$ .73	$ .41	$ .46	$ .84
.19	.26	.35	.13	.15	.11	.11	.55
$ .99	$ 1.21	$ 1.25	$ .76	$ .84	$ .50	$ .53	$ 1.48

(continued on next page)

Exhibit 17 (continued)*

	Size				Food and Beverage Sales Ratio to Room Sales	
	Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms	Under 50%	50–74%
Beverage Sales—By Facility						
Amount Per Available Room						
Dining Room	$ 542	$ 514	$ 293	$ 374	$ 237	$ 314
Room Service	17	48	56	207	37	112
Banquet	77	162	360	593	76	306
Bar/Lounge	881	817	845	610	545	905
Total	$1167	$1194	$1665	$1727	$ 816	$1564
Ratio to Beverage Sales						
Dining Room	85.6%	21.2%	18.3%	24.3%	24.5%	18.3%
Room Service	1.7	2.5	3.4	9.9	3.2	7.3
Banquet	8.8	11.5	24.7	27.3	9.9	22.2
Bar/Lounge	86.3	76.8	54.0	31.9	76.8	63.2
Ratio to Food Sales						
Dining Room	29.2%	16.9%	11.5%	18.8%	14.5%	15.0%
Room Service	20.9	23.7	22.6	47.9	16.9	32.6
Banquet	17.2	21.1	24.0	27.0	19.0	23.1
Total (including Bar/Lounge)	44.7%	43.2%	38.6%	38.6%	40.6%	40.8%
Amount Per Seat						
Dining Room	$1093	$ 691	$ 566	$ 508	$ 566	$ 350
Banquet	61	96	129	153	85	111
Bar/Lounge	1863	2392	2056	2040	1875	2189
Total	$ 417	$ 491	$ 451	$ 550	$ 398	$ 438

*All figures are medians and do not necessarily add to totals shown.

Exhibit 18
Restaurant Operations—Cost of Sales and Cash Payroll*

Food & Beverage Sales Ratio to Room Sales	Cost of Sales & Cash Payroll		Increase (Decrease)
	1979	1978	
Under 50%	69.5%	65.1%	6.8%
50–74%	62.9	58.4	7.7
75–99%	59.1	60.3	(2.0)
100% & Over	59.7	59.7	—

*Based on arithmetic mean.

Food and Beverage Sales Ratio to Room Sales		Location					Market
75–99%	100% & Over	Center City	Airport	Suburban	Highway	Resort	Convention
$ 833	$ 912	$ 403	$ 318	$ 640	$ 435	$ 344	$ 530
79	97	101	51	43	58	49	188
492	771	370	215	190	103	245	843
1216	1670	637	948	1269	844	1067	1838
$2803	$3114	$1502	$1366	$1542	$1061	$1736	$2827
30.1%	26.5%	21.7%	22.2%	24.9%	70.4%	19.4%	16.8%
3.9	3.2	6.6	2.5	1.5	5.2	2.6	7.7
17.4	24.4	22.7	11.3	14.6	10.5	12.7	29.8
50.3	47.2	50.4	66.8	67.2	83.5	71.6	42.4
21.0%	19.0%	17.3%	13.1%	20.4%	21.4%	9.8%	15.8%
24.8	28.2	28.9	25.9	24.8	24.8	20.8	41.5
24.3	28.2	24.3	21.3	21.1	19.6	22.0	29.8
43.1%	39.9%	38.9%	43.2%	43.5%	48.6%	34.5%	42.2%
$ 745	$ 678	$ 634	$ 332	$ 811	$ 523	$ 370	$ 505
122	197	129	105	157	75	81	177
2392	1753	2009	2005	3130	1925	2542	1786
$ 556	$ 560	$ 488	$ 372	$ 686	$ 398	$ 350	$ 488

(continued from page 44)

Payroll and related expenses

An analysis of the available information on staffing levels per 100 available and per 100 occupied rooms, and sales per employee is shown in Exhibit 19. The medians and quartiles were determined for those properties reporting the number of employees in the departments listed, so that the detail does not add to the totals shown. The number of employees represents full-time equivalents, that is, the number of hours worked has been divided by the standard work hours to obtain the number of employees in each position.

The sales per departmental employee is one measure of employee productivity and also supplies a test of staffing levels when unusual circumstances affect the composition of sales.

Exhibit 20 (pages 52-53) shows cash payroll, employee benefits and employment statistics for those properties providing the data in each of the size groups, for the median and high occupancy groups, for those with low and high restaurant volume, and for those reporting net income and net loss. Payroll per room and per employee increased as the size of the property increased, but sales per employee was also considerably higher, pushing the productivity index sharply lower. This pattern is also evident when analyzed by occupancy, restaurant volume and profitability whereby the more successful establishments achieved significantly higher productivity, even though payroll costs tended to be more. The index of productivity, which is computed by dividing total sales by total payroll and related expenses, was generally higher in each group during 1979 than in 1978.

Departmental payroll and related expenses per occupied room per day at various levels of occu-

(text continued on page 54)

Exhibit 19
Staffing Levels and Employee Productivity—All Establishments*

	Number of Employees Per 100 Available Rooms			Number of Employees Per 100 Occupied Rooms		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
1) Staffing Levels (Full-Time Equivalent Employees)						
Rooms	13.4	17.0	22.7	19.0	25.4	31.5
Food & Beverage	16.7	23.3	34.9	24.1	34.4	48.0
Telephone	.7	1.3	1.7	1.0	1.7	2.2
Minor Operated Departments	.3	.9	3.0	.4	1.4	4.0
Administrative & General	2.9	4.0	5.9	3.6	5.9	7.6
Marketing—Sales	1.0	1.4	1.6	1.3	2.0	2.4
Marketing—Other	—	—	.4	—	—	.8
Property Operation & Maintenance	2.0	2.5	3.2	2.6	3.5	4.6
Personnel	.1	.3	.4	.2	.4	.7
House Laundry	1.3	1.8	2.2	2.0	2.5	3.2
Other	—	1.4	2.5	—	1.9	3.6
2) Total Employment—Full-Time Equivalent Employees	41.0	55.7	66.6	62.1	75.6	91.1
3) Employee Productivity—Sales Per Full-Time Employee						
Rooms	$40,777	$54,660	$75,707			
Food & Beverage	15,613	23,572	33,374			
Telephone	25,746	40,921	55,206			
Minor Departments	16,797	36,500	60,686			
4) Total Sales Per Employee	$25,017	$30,517	$42,209			

*Based on those supplying detail. All figures are medians or quartiles and do not necessarily add to totals shown.

Exhibit 20
Cash Payroll, Employee Benefits, Total Payroll and Employment Statistics—By Selected Criteria*

	Size			
	Under 150 Rooms	150–299	300–600	Over 600 Rooms
Payroll & Related Expenses				
Amount Per Room				
Cash Payroll	$ 2579	$ 3161	$ 4708	$ 5471
Total Payroll & Related Expenses	3007	3688	6328	7243
Employee Benefits— Ratio to Cash Payroll	21.3%	21.3%	30.8%	35.3%
Cost Per Employee				
Cash Payroll	$ 5911	$ 7373	$ 7708	$12,264
Total Payroll & Related Expenses	7390	8542	9695	16,286
Employment Statistics				
Sales Per Employee				
Rooms	$43,268	$48,984	$49,609	$77,891
Food & Beverage	14,483	18,664	21,938	32,972
Telephone	13,704	35,057	30,264	48,077
Minor Departments	5565	**	18,483	45,654
Total Sales Per Employee	$23,365	$27,366	$30,299	$38,176
Productivity Index				
1979	3.268	3.274	3.006	2.848
1978	3.338	3.403	3.003	2.708
Number of Full-Time Equivalent Employees Per 100 Available Rooms				
Rooms	15.8	16.0	21.5	14.1
Food & Beverage	24.4	26.6	22.4	22.8
Telephone	1.7	1.0	1.5	.9
Minor Departments	**	.9	2.1	.7
Administrative & General	3.9	4.1	3.8	4.1
Marketing—Sales	2.7	1.4	1.5	1.2
Marketing—Other	—	—	.3	.2
Property Operation & Maintenance	2.3	1.9	2.4	2.8
Personnel	**	—	.4	.3
House Laundry	**	1.9	1.8	1.7
Total	44.2	54.9	60.4	50.0

*Based on those supplying detail. All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Occupancy		Restaurant Operated Total Food & Beverage Sales Ratio to Room Sales		Those Reporting	
60–69%	Over 80%	50–74%	100% or More	Net Income	Net Loss
$ 2952	$ 5015	$ 3894	$ 5924	$ 3391	$ 2728
3609	6360	4809	8207	3997	3535
22.1%	28.9%	25.4%	23.4%	23.2%	22.1%
$ 7708	$11,993	$ 7589	$ 8384	$ 8460	$ 7864
10,199	15,948	9501	9695	10,752	10,319
$54,234	$62,325	$60,799	$58,543	$48,831	$42,544
16,412	24,472	26,648	19,491	21,448	16,076
40,041	42,458	46,136	24,611	37,019	23,086
18,701	40,460	45,654	36,500	36,145	27,888
$25,522	$44,306	$37,695	$21,547	$32,288	$24,817
3.148	3.347	3.056	3.203	3.312	2.885
3.151	3.375	3.224	3.117	3.336	3.015
17.6	21.7	15.0	15.7	21.5	14.8
19.9	35.4	19.3	68.1	29.2	24.4
1.3	1.7	.8	1.7	1.4	1.6
3.3	1.7	.3	1.9	1.1	.6
3.9	5.7	3.7	••	4.2	4.7
1.6	1.2	1.3	1.5	1.5	1.2
.6	.2	—	2.0	—	.4
2.5	3.0	2.5	••	2.5	2.0
.1	.4	.2	••	.3	.2
1.3	2.2	2.2	3.0	1.9	.6
50.9	66.6	55.7	104.7	58.7	57.0

(continued from page 50)

pancy is shown in Exhibit 21. Except at the lowest occupancy level, rooms, food and beverage and telephone payroll tended to increase as occupancy increased. The payroll for most of the undistributed operating departments is relatively fixed and tends to decline as the occupancy goes up.

Other expenses

Operating expenses in the rooms department tended to increase as occupancy increased, indicating more variability than in the past. Exhibit 22 shows those expenses per occupied room per day at the various occupancy levels. These expenses also rose faster at the higher occupancy levels, climbing in excess of 25 percent for properties with an occupancy rate of 80 percent or more.

Undistributed operating expenses

An analysis of undistributed operating expenses for selected groups is presented in Exhibit 23 (pages 56–57). The three bases of common size are used: cost per available room, ratio to room sales and ratio to total sales. The comparable figures for 1978 are also shown. Using a fixed base, such as number of available rooms, makes it possible to determine the change in amount spent, while the ratios to room sales and total sales show the extent to which growth and higher prices have offset the increase, if at all.

Administrative and general expenses tended to be higher as an amount per room and as a ratio to total sales. However, as a ratio to room sales it was generally lower. Although marketing, energy costs and property operation and maintenance expenses were also generally higher on a cost per available room basis, those increases generally were offset by higher prices in most groups so that the ratios to room sales and total sales were inclined to be lower.

(text continued on page 58)

Exhibit 21
Payroll and Related Expenses
Per Occupied Room Per Day—By Occupancy

	Occupancy				
	Under 50%	50–59%	60–69%	70–79%	80% & Over
Rooms	$ 5.41	$ 5.00	$ 5.44	$ 5.62	$ 6.17
Food & Beverage	5.38	5.18	5.63	6.09	7.86
Telephone	.66	.40	.46	.44	.50
Minor Operated Departments	.43	.45	.48	.34	.39
Administrative & General	1.82	1.76	1.57	1.68	2.02
Marketing	.80	.62	.73	.75	.56
Property Operation & Maintenance	.84	.86	.97	1.00	1.22
Personnel	.27	.26	.10	.26	.13
House Laundry	.55	.49	.53	.54	.55
Total	$14.38	$14.13	$13.66	$15.21	$17.31

*Based on those supplying detail. All figures are medians and do not necessarily add to totals shown.

Exhibit 22
Rooms Department Expenses
Per Occupied Room Per Day*—By Occupancy

	Occupancy				
	Under 50%	50–59%	60–69%	70–79%	80% & Over
Payroll & Related Expenses	$5.41	$5.00	$5.44	$5.62	$6.17
Commissions (including Travel Agents)	.05	.08	.05	.09	.23
Contract Cleaning	.08	.07	.06	.06	.10
Laundry & Dry Cleaning	.31	.47	.47	.48	.62
Linen	.26	.26	.27	.30	.26
Operating Supplies	.55	.46	.56	.57	.51
Other Operating Expenses	.31	.20	.26	.25	.23
Reservation Expense	.42	.44	.22	.29	.26
All Other Expenses	.06	.06	.07	.07	.06
Total—1979	$7.36	$6.73	$7.23	$7.55	$8.32
Total—1978	$7.35	$6.67	$6.82	$6.56	$6.64
Increase (Decrease)	.1%	.9%	6.0%	15.1%	25.3%

*All figures are medians and do not necessarily add to totals shown.

Exhibit 23
Analysis of Undistributed Operating Expenses—By Selected Criteria*

	Age				Size			
	Built Pre-1940	1940–1959	1960–1969	1970s	Under 150 Rooms	150–299	300–600	Over 600 Rooms
Administrative & General								
Cost Per Room								
Payroll & Related Expenses	$ 968	$ 586	$ 374	$ 437	$ 349	$ 390	$ 712	$ 809
Other	1639	903	902	1037	860	906	1260	1200
Total—1979	$2158	$1493	$1376	$1451	$1274	$1328	$1995	$1968
Total—1978	1571	1325	1234	1278	1105	1119	1739	1613
Ratio to Room Sales—1979	19.4%	16.9%	18.5%	18.1%	19.4%	17.7%	18.9%	18.1%
Ratio to Room Sales—1978	19.3	18.2	19.0	18.3	19.7	17.4	19.8	19.5
Ratio to Total Sales—1979	11.1%	11.0%	11.5%	11.3%	12.8%	11.2%	11.4%	9.8%
Ratio to Total Sales—1978	10.7	10.8	10.6	11.1	11.0	10.7	10.8	10.6
Marketing								
Cost Per Room								
Payroll & Related Expenses	$ 215	$ 215	$ 147	$ 173	$ 117	$ 158	$ 259	$ 285
Other	654	362	399	508	404	408	555	638
Total—1979	$ 929	$ 553	$ 537	$ 733	$ 500	$ 596	$ 789	$ 896
Total—1978	561	528	502	705	440	530	734	675
Ratio to Room Sales—1979	7.3%	6.2%	7.8%	8.4%	8.0%	8.0%	7.8%	7.2%
Ratio to Room Sales—1978	6.9	6.1	7.4	8.6	7.2	8.2	8.1	7.2
Ratio to Total Sales—1979	3.9%	3.8%	4.9%	5.3%	5.1%	5.1%	4.6%	4.2%
Ratio to Total Sales—1978	3.9	3.6	4.4	5.3	5.0	4.9	4.3	4.2
Energy Costs								
Cost Per Room—1979	$ 905	$ 603	$ 582	$ 622	$ 597	$ 588	$ 669	$ 889
Cost Per Room—1978	673	609	553	604	544	557	665	778
Ratio to Room Sales—1979	8.4%	7.2%	8.0%	7.7%	8.5%	7.7%	6.9%	7.7%
Ratio to Room Sales—1978	9.2	8.5	8.4	7.9	8.6	8.3	7.6	8.5
Ratio to Total Sales—1979	4.7%	4.2%	5.3%	4.8%	5.7%	4.9%	4.0%	4.5%
Ratio to Total Sales—1978	4.7	5.1	5.2	4.7	5.7	4.9	4.4	4.5
Property Operation & Maintenance								
Cost Per Room								
Payroll	$ 735	$ 488	$ 247	$ 221	$ 203	$ 220	$ 428	$ 711
Other	633	455	426	376	395	381	465	544
Total—1979	$1292	$1046	$ 682	$ 577	$ 580	$ 582	$ 902	$1213
Total—1978	1134	808	597	514	509	509	839	1085
Ratio to Room Sales—1979	12.0%	11.5%	9.2%	7.8%	8.9%	7.9%	9.1%	11.0%
Ratio to Room Sales—1978	14.7	11.4	8.8	6.9	8.3	7.5	9.5	11.3
Ratio to Total Sales—1979	6.6%	6.7%	5.9%	4.7%	5.7%	5.3%	5.0%	5.8%
Ratio to Total Sales—1978	8.2	6.8	5.2	4.2	5.1	4.8	5.2	5.8

*All figures are medians.

Occupancy					Restaurant Not Operated	Restaurant Operated Food and Beverage Sales Ratio to Room Sales			
Under 50%	50-59%	60-69%	70-79%	80% & Over		Under 50%	50-74%	75-99%	100% & Over
$ 286	$ 365	$ 381	$ 461	$ 606	$ 284	$ 374	$ 514	$ 840	$ 932
577	866	946	1143	1302	725	855	1082	1204	1287
$ 975	$1224	$1325	$1561	$2014	$1066	$1256	$1515	$2060	$2312
891	976	1313	1523	1409	823	1107	1320	1661	2050
17.7%	21.7%	19.0%	18.7%	16.4%	14.8%	17.2%	19.1%	21.5%	23.1%
16.9	20.9	19.6	19.1	15.7	13.1	16.8	18.3	20.5	23.4
12.5%	14.1%	11.6%	11.1%	10.4%	13.1%	12.5%	11.1%	10.9%	10.3%
10.0	12.6	11.3	10.8	10.2	11.3	12.1	10.6	10.6	10.3
$ 118	$ 129	$ 172	$ 206	$ 181	$ 76	$ 140	$ 192	$ 260	$ 283
339	389	393	530	501	314	391	494	652	614
$ 460	$ 508	$ 585	$ 762	$ 728	$ 432	$ 536	$ 700	$ 921	$ 902
366	448	543	670	618	392	479	660	725	777
8.5%	8.8%	8.3%	8.2%	5.7%	5.7%	7.1%	8.3%	8.7%	9.9%
6.9	8.7	8.5	7.9	5.9	6.7	6.3	8.6	8.6	8.7
5.2%	5.6%	5.2%	4.9%	3.6%	5.0%	5.1%	4.9%	4.4%	4.3%
4.3	5.7	5.3	4.6	3.9	6.0	4.8	5.0	4.3	3.7
$ 464	$ 507	$ 620	$ 642	$ 709	$ 486	$ 535	$ 645	$ 875	$ 983
588	518	587	613	598	434	504	603	767	854
11.7%	9.4%	8.8%	7.6%	6.5%	6.8%	7.3%	8.3%	7.7%	9.8%
11.4	10.2	9.0	8.0	7.1	7.4	7.6	8.4	9.0	9.4
6.5%	5.9%	5.5%	4.5%	4.0%	6.2%	5.3%	4.8%	3.9%	4.4%
6.0	6.4	5.2	4.5	4.3	6.7	5.3	4.8	4.5	4.2
$ 134	$ 176	$ 238	$ 267	$ 378	$ 194	$ 218	$ 298	$ 448	$ 495
242	331	386	431	495	305	367	421	532	642
$ 368	$ 547	$ 635	$ 760	$ 871	$ 482	$ 567	$ 715	$ 971	$1064
613	486	574	619	619	468	526	579	822	955
8.6%	9.7%	8.9%	8.6%	7.8%	6.1%	7.9%	9.0%	10.1%	11.6%
13.2	10.3	9.0	8.1	7.5	7.6	7.4	8.1	9.1	11.3
5.8%	6.2%	5.5%	5.4%	5.0%	5.4%	5.6%	5.3%	5.1%	5.1%
7.0	6.9	5.4	4.7	4.7	7.1	5.3	4.9	4.9	4.9

(continued from page 54)

The manner in which management allocated the expense dollar in the marketing department is shown in Exhibit 24 for those properties that provided a detailed breakdown. In addition to showing the allocation for the entire sample, the exhibit presents the marketing dollar by location and for those establishments that cater primarily to conventions. In 1979, each dollar of expenditure for marketing, plus the cost of travel agents' commissions and reservations expenses, generated $20.38 in total sales, up 11.3 percent from the 1978 amount. As expected, allocation of the marketing dollar varies depending on the source of business. Suburban and highway properties used outdoor advertising more heavily, while center city and resort operators relied on print media and other forms.

The range of amounts per room and ratio to total sales of management fees for 1979 are shown in Exhibit 25 for all the properties reporting such data. Comparisons with 1978 also are shown. The amounts at each interval were sharply higher, both as an amount per room and as a ratio to total sales. The median amount per room was up more than 30 percent from 1978 results.

Energy costs per occupied room per day for all establishments providing the detail and for the sample broken down by location are shown in Exhibit 26. For the second straight year, the daily cost of energy per occupied room declined slightly for the entire sample.

Exhibit 23 illustrates how older properties tend to spend considerably more on property operation and maintenance than newer properties when compared on an annual cost per available room basis. The allocation of these expenditures to the various expense categories in the different age groups is shown in Exhibit 27. The older properties, and especially those built 40 or more years ago, allocated

(text continued on page 60)

Exhibit 24
How the Marketing Dollar Was Spent*

		Location					Market
	Mean, All Establishments	Center City	Airport	Suburban	Highway	Resort	Convention
Payroll & Related Expenses							
Sales	24.8%	28.5%	26.9%	23.9%	19.6%	24.4%	27.9%
Other	1.0	.6	—	—	2.9	3.4	4.5
Sales							
Travel & Entertainment	5.1	6.4	6.6	4.5	2.7	8.8	9.0
Other	3.1	4.8	3.2	2.1	1.3	5.1	2.9
Advertising							
Print	9.0	13.1	6.1	9.7	4.1	16.2	22.3
Radio & TV	2.1	3.0	.8	2.9	1.3	2.3	4.4
Outdoor	9.1	2.8	9.9	14.3	14.2	2.7	2.5
Other	9.3	10.5	8.7	8.3	9.7	5.8	8.5
Merchandising	1.4	1.5	1.8	1.1	.8	3.2	3.1
Public Relations & Publicity	4.2	6.2	4.2	2.4	3.1	4.0	.8
Fees & Commissions							
Franchise Fees	10.0	9.1	7.5	7.6	12.7	10.9	1.3
Other	7.0	2.3	10.6	9.0	10.7	.4	1.5
All Other Selling & Promotion Expenses	13.9	11.2	13.7	14.2	16.9	12.8	11.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Marketing Cost Index	$20.38	$20.71	$20.56	$24.43	$17.90	$21.33	$18.05

*Based on those supplying detail.

Exhibit 25
Management Fees—All Establishments

	Lower Quartile	Median	Upper Quartile
Amount Per Room			
1979	$352	$498	$713
1978	$250	$383	$551
Ratio to Total Sales			
1979	2.8%	3.4%	6.0%
1978	2.5%	3.0%	4.6%

Exhibit 26
Energy Costs Per Occupied Room Per Day*—By Location

		Location				
	Mean, All Establishments	Center City	Airport	Suburban	Highway	Resort
Fuel	$ .61	$ .78	$ .52	$ .56	$ .52	$ .68
Electricity	1.71	1.77	1.37	1.86	1.60	2.24
Water	.29	.30	.19	.24	.30	.43
Steam	.15	.47	—	.05	—	.01
Subtotal	$2.76	$3.32	$2.08	$2.71	$2.42	$3.36
Credit For Sale of Energy	(.04)	(.08)	(.01)	(.04)	(.02)	—
Net Cost						
1979	$2.72	$3.24	$2.07	$2.67	$2.40	$3.36
1978	$2.75	$3.08	$2.14	$2.47	$2.28	$2.95
Increase (Decrease)	(1.1)%	5.2%	(3.3)%	8.1%	5.3%	13.9%

*Based on arithmetic mean.

Exhibit 27
How the Property Operation and Maintenance Dollar Was Spent—By Age*

		Age			
	Mean, All Establishments	Built Pre-1940	1940–1959	1960–1969	1970s
Payroll & Related Expenses	39.0%	52.5%	47.8%	38.0%	36.1%
Building	9.9	5.0	10.3	11.0	9.7
Electrical & Mechanical Equipment	19.1	19.9	13.2	19.5	19.8
Furniture	3.1	2.8	2.9	2.9	3.3
Grounds & Landscaping	5.4	1.8	4.3	5.3	6.1
Operating Supplies	3.6	2.3	3.3	3.3	4.0
Painting & Decorating	4.7	5.5	5.0	5.0	4.3
Removal of Waste Matter	3.4	2.8	3.0	3.1	3.8
All Other Expenses	11.8	7.4	10.2	11.9	12.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.

Exhibit 28
Method of Payment For Services*

	Method of Payment			
	Cash	Credit Card	Travel Agent & Tour Operator	All Other Credit
Location				
Center City	27.3%	52.9%	6.9%	12.9%
Airport	24.5	47.4	8.8	19.3
Suburban	34.5	54.1	6.5	4.9
Highway	29.4	51.3	6.7	12.6
Resort	31.9	38.1	18.7	11.3
Size				
Under 150 Rooms	35.7%	47.4%	3.9%	13.0%
150-299	34.0	49.6	8.8	7.6
300-600	22.8	50.2	11.5	15.5
Over 600 Rooms	22.8	55.6	13.0	8.6
Rate**				
A	15.0%	31.7%	31.7%	21.6%
B	34.4	50.3	6.7	8.6
C	23.9	55.5	10.6	10.0
D	30.8	46.2	7.6	15.4
Restaurant Not Operated	10.0%	63.3%	5.0%	21.7%
Restaurant Operated— Food & Beverage Sales Ratio to Room Sales				
Under 50%	29.0%	48.7%	13.6%	8.7%
50-74%	30.3	49.9	8.7	11.1
75-99%	41.0	47.4	4.1	7.5
100% & Over	26.5	52.0	7.2	14.3
Mean, All Establishments	30.4%	50.0%	9.0%	10.6%

*Based on arithmetic mean.
**See page 32.

(continued from page 58)
about half of their total property operation and maintenance costs to payroll and related expenses. The newer properties allocated a larger share of their expenditures to furniture, grounds and landscaping, operating supplies and removal of waste matter.

Credit/collection data

Significantly more guest accounts were settled with credit cards in 1979 at those hotels supplying the data. In 1978, 46.7 percent of guest accounts were settled with credit cards and 37.1 percent with cash. In 1979, 50 percent of the guests used credit cards and only 30.4 percent used cash. The portion of credit card payments generated by travel agents or tour operators also increased during the year, rising from 6 to 9 percent in 1979. Other credit sources, including the credit accounts of companies, such as the airlines, for their personnel and stranded travelers, ac-

counted for 10.6 percent of credit card payments. The analysis is shown in Exhibit 28. Credit card usage was considerably higher in suburban and center city properties and large hotels. Travelers used travel agents and tour operators to settle accounts much more frequently in resorts, properties with more than 300 rooms and, surprisingly, the lowest rate group.

Additional information on credit card usage is shown in Exhibit 29. The annual cost per occupied room for the various groups is shown together with the ratio to total sales and the comparable costs for 1978. The median annual cost per occupied room for all establishments rose by more than 9 percent, but as a ratio to total sales it remained relatively unchanged. Properties reporting occupancies of more than 70 percent, those with more than 600 rooms and suburban properties indicated a slightly heavier usage of credit cards as a ratio to total sales.

Exhibit 29
Credit Card Commissions—Annual Cost Per Occupied Room*

	Annual Cost Per Occupied Room		Increase (Decrease)	Ratio to Total Sales	
	1979	1978		1979	1978
Location					
Center City	$284	$246	15.4%	1.2%	1.2%
Airport	218	201	8.5	1.3	1.3
Suburban	200	174	14.9	1.1	1.0
Highway	156	159	(1.9)	1.1	1.1
Resort	238	182	30.8	1.0	.9
Size					
Under 150 Rooms	$156	$157	(.6)%	1.0%	1.0%
150–299	205	175	17.1	1.1	1.1
300–600	262	264	(.8)	1.2	1.2
Over 600	325	281	15.7	1.2	1.1
Rate**					
A	$119	$102	16.7%	.9%	1.0%
B	191	170	12.4	1.1	1.1
C	263	235	11.9	1.1	1.1
D	493	339	45.4	1.4	1.2
Occupancy					
Under 50%	$151	$239	(36.8)%	1.1%	1.0%
50–59	156	132	18.2	1.0	1.0
60–69	206	205	.5	1.1	1.1
70–79	213	218	(2.3)	1.2	1.1
80% & Over	242	195	24.1	1.2	1.1
Restaurant Not Operated	$127	$106	19.8%	1.2%	1.1%
Restaurant Operated— Food & Beverage Sales Ratio to Room Sales					
Under 50%	$173	$158	9.5%	1.1%	1.1%
50–74%	219	202	8.4	1.1	1.2
75–99%	273	237	15.2	1.1	1.0
100% & Over	297	302	(1.7)	1.0	1.1
Median, All Establishments	$212	$194	9.3%	1.1%	1.1%

*All figures are medians.
**See page 32.

Fixed charges

Fixed charges per available room and ratios to total sales are shown in Exhibit 30. Median amounts and ratios for the entire sample and for the age, size, area and location groups are shown since those criteria are most likely to influence the amount of rent, taxes, insurance, interest and depreciation expenses of the properties. The total of fixed charges per available room remained relatively unchanged, dropping only slightly from $2,276 in 1978 to $2,266 in 1979. As a ratio to total sales, the decline in fixed charges was more apparent, primarily because of the sharp increase in revenue. As expected, fixed charges per room are lower in

Exhibit 30
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales—By Selected Criteria*

		Age				Size			
	Median, All Establishments	Built Pre-1940	1940-1959	1960-1969	1970s	Under 150 Rooms	150-299 Rooms	300-600 Rooms	Over 600 Rooms
Amount Per Room									
Rent—Land	$ 204	**	$ 152	$ 186	$ 219	$ 176	$ 226	$ 377	$ 344
Rent—Other	534	57	503	891	569	839	501	854	170
Property Taxes	301	$ 474	264	299	307	258	318	419	605
Insurance on Buildings & Contents	55	56	50	53	59	53	57	56	43
Interest Expense	715	452	292	297	1028	347	898	1113	585
Depreciation & Amortization	731	1004	734	609	792	581	748	984	999
Total Fixed Charges—1979	$2266	$1734	$1627	$1726	$2583	$1890	$2421	$3036	$2526
Total Fixed Charges—1978	$2276	$1544	$2318	$1936	$2761	$1883	$2352	$3288	$2480
Ratio to Total Sales—1979	18.6%	11.4%	11.8%	15.9%	22.4%	18.2%	19.6%	19.3%	13.2%
Ratio to Total Sales—1978	20.2%	12.3%	14.6%	18.7%	24.5%	20.0%	22.2%	20.2%	14.5%

*Based on those supplying detail. All figures are medians.
**Insufficient data.

Exhibit 31
Balance Sheet Statistics
Liquidity Ratios—All Establishments*

	1979	1978
Current Position	$ .92	$ .88
Accounts Receivable		
Amount Per Room	$489	$499
Ratio to Total Sales	3.4%	3.8%
Number of Times Average Daily Sales	14	14
Food Inventory—End of Year		
Amount Per Room	$ 59	$ 50
Annual Turnover	30.0	27.4
Beverage Inventory—End of Year		
Amount Per Room	$ 45	$ 34
Annual Turnover	6.4	9.4

*Based on those supplying detail. All figures are medians.

the older and smaller properties, those located in the South and those on highways.

Balance sheet statistics

The typical ratios used to measure liquidity, or the ability of a company to meet its current obligations, are shown in Exhibit 31 with comparable amounts and ratios for 1978. The current position improved moderately during the year, while accounts receivable, both as an amount per room and as a ratio to total sales, declined. Food and beverage inventory rose as an amount per room, but while food inventory turnover increased during 1979, beverage inventory turnover decreased.

	Area					Location				
	North-East	South-East	North Central	South Central	West	Center City	Airport	Suburban	Highway	Resort
	$ 303	$ 235	$ 184	$ 173	$ 215	$ 226	$ 251	$ 235	$ 185	$ 347
	694	477	173	602	679	607	687	338	477	486
	601	291	353	246	261	433	357	301	266	386
	55	43	75	52	58	50	61	55	57	57
	363	717	994	229	761	728	431	986	702	706
	892	677	778	533	776	723	846	714	666	1141
	$2564	$2021	$2394	$1949	$2461	$2509	$2218	$2308	$2040	$3172
	$2469	$2051	$2395	$2083	$2609	$2313	$2656	$2213	$2157	$2606
	18.8%	18.3%	20.1%	16.8%	19.2%	15.0%	19.2%	18.6%	19.9%	18.0%
	20.2%	17.8%	20.8%	19.9%	21.7%	16.3%	20.7%	22.1%	21.3%	24.1%

Exhibit 32 presents a pro forma balance sheet showing amounts per available room and ratios to total assets and total sales for those companies that provided sufficient detail. To establish absolute values, the arithmetic means were used for the calculations.

In general, the balance sheet indicates that the industry is in much better condition than in the past several years. However, because the typical establishment covered by the analysis was built 10–20 years ago, the costs of the fixed assets cannot be considered current. There was a substantial shift in

Exhibit 32
Pro Forma Balance Sheet—All Establishments*

Assets	Amount Per Room	Ratio To Total Assets	Ratio To Total Sales
Current Assets			
Cash on Hand & in Banks	$ 638	4.1%	3.5%
Accounts Receivable — Net	1151	7.4	6.3
Inventories	264	1.7	1.5
Prepaid Expenses & Other	32	.2	.2
Total Current Assets	$ 2085	13.4%	11.5%
Fixed Assets			
Land	$ 1540	9.9	8.5
Building	10,485	67.4	57.8
Furniture & Fixtures	3329	21.4	18.4
Operating Equipment	342	2.2	1.9
Total	$15,696	100.9	86.6
Less Accumulated Depreciation	4511	29.0	24.9
Net Book Value	$11,185	71.9	61.7
Other Assets	2286	14.7	12.6
Total Assets	$15,556	100.0%	85.8%
Liabilities & Equity			
Current Liabilities			
Accounts Payable	$ 1027	6.6%	5.7%
Accrued Liabilities	1213	7.8	6.7
Other Current Liabilities	544	3.5	3.0
Current Portion of Long-Term Debt	187	1.2	1.0
Total	$ 2971	19.1%	16.4%
Long-Term Debt	5087	32.7	28.1
Other Liabilities — Including Amounts Due Affiliates	1929	12.4	10.6
Total Liabilities	$ 9987	64.2	55.1
Equity (Including Intercompany Net Worth)	5569	35.8	30.7
Total Liabilities & Equity	$15,556	100.0%	85.8%

*Based on those supplying detail. Based on arithmetic mean.

the structure of the liabilities and equity side of the balance sheet, with the portion of capital obtained from equity sources (retained earnings, owners' or stockholders' investment) contributing a larger share of the investment in the hotel.

The analysis in Exhibit 33 was prepared from those companies that provided data on fixed assets and rents. Average rent per available room and ratios to total sales for companies that lease only the land is also shown. The companies that lease land also reported the cost of real estate taxes and fire insurance.

Summary

Median amounts per available room and ratios to total sales for the various groups are shown in the exhibits on pages 66–85. The median and upper and lower quartiles of related performance and financial measurements are shown in the exhibit beginning on page 76. Chart 3 (page 87) and the tables that follow it display the annual results of Laventhol & Horwath's monthly report, *National Trend of Business in the Lodging Industry*.

After getting off to a rather shaky start due to gasoline shortages, 1979 ended up being a good year for the lodging industry. The number of foreign tourists increased and domestic business activity remained strong throughout the year despite repeated forecasts of a major recession.

As the recession began to unfold in 1980, occupancies dropped and then stabilized at about 3 percent below those achieved in 1979. By July and August 1980, the decrease in occupancies had begun to moderate and in some instances, properties were reporting increases in rooms occupied. As the industry moves into the 1980s, it will continue to be in relatively strong financial condition with increases in the supply of rooms corresponding well to the increases in demand. While the supply/demand ratio should stay in balance over the next several years, rising room rates would enable lodging establishments to maintain profit margins, particularly if the double occupancy rate continues to expand as it did during the first seven months of 1980. Uncertainty over energy supplies and the economy could hamper the industry, but overall the outlook is favorable for both occupancies and earnings. ■

Exhibit 33
Cost of Fixed Assets*—All Establishments

	Wholly Owned	Land Only Leased
Amounts Per Room		
Land	$ 2589	—
Building & Improvements	11,682	$10,595
Furniture, Fixtures & Improvements	1956	1723
Operating Equipment	436	507
Total	$16,663	$12,825
Rent Per Available Room		$ 538
Ratio to Total Sales		5.4%

*Based on those supplying detail. Based on arithmetic mean.

U.S. Lodging Industry—1979
Statement of Income and Expenses
—Median Amounts Per Available Room

All amounts are medians and do not necessarily add to the totals shown.

	Age of Property			
Rooms	Built Pre-1940	Built 1940–1959	Built 1960–1969	Built in 1970s
Sales	$9904	$8381	$7914	$8283
Departmental Expenses				
Payroll & Related Expenses	1975	1512	1429	1392
Other	830	695	461	454
Total	2841	2259	1966	1942
Departmental Income	7423	6560	5964	6366
Food & Beverage				
Sales				
Food	4889	4243	2341	2658
Beverage	1510	1508	1195	1400
Total	6365	5772	3621	4032
Cost of Sales				
Food	1734	1406	904	974
Beverage	368	304	282	312
Total	2140	1688	1153	1251
Gross Profit	4646	4030	2373	2717
Public Room Sales	166	71	91	124
Other Income	95	17	13	23
Gross Profit & Other Income	4741	4155	2471	2821
Departmental Expenses				
Payroll & Related Expenses	3002	2517	1364	1392
Other	733	544	451	526
Total	3747	3010	1849	1978
Departmental Income	768	996	689	798
Telephone Departmental Income	(212)	(120)	(69)	(46)
Net Income From Minor Operated Departments	12	(1)	(2)	0
Rentals & Other Income	292	146	133	70
Gross Income	9543	7318	6935	7234
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	968	586	374	437
Other	1638	903	902	1037
Total	2158	1493	1376	1451
Marketing	929	553	537	733
Energy Costs	905	603	582	622
Property Operation & Maintenance	1292	1046	682	577
Total Undistributed Expenses	5370	3724	3118	3419
Income Before Fixed Charges	5169	3376	3174	3817
Property Taxes & Insurance	530	315	351	366
Income Before Interest & Depreciation	$3985	$2652	$1890	$2800

*See page 32.

Size of Property				Average Rate*			
Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms	Group A	Group B	Group C	Group D
$6422	$8096	$10,200	$9793	$5481	$7812	$10,089	$15,364
1205	1344	1693	1913	1077	1344	1665	2498
386	449	757	870	305	430	698	1077
1569	1891	2387	2721	1388	1900	2401	3713
4789	6248	7803	7273	4174	5848	7407	11,734
2041	2345	3671	4731	1755	2247	4243	6977
1167	1194	1655	1727	717	1153	1648	2875
3357	3653	5241	6496	2412	3512	5680	10,117
762	915	1252	1526	637	866	1372	2449
285	260	345	405	185	264	342	619
1052	1144	1699	1916	833	1167	1675	3036
2283	2457	3633	4673	1574	2399	3977	6990
57	99	191	109	57	112	158	145
5	8	46	84	2	8	34	91
2327	2575	3860	4789	1684	2440	4237	7541
1272	1310	2490	2951	1059	1328	2529	4450
385	488	644	728	228	467	692	953
1648	1875	3023	3738	1301	1849	3206	5624
652	652	1074	1290	437	661	1158	2228
(50)	(52)	(106)	(172)	(48)	(46)	(104)	(202)
(111)	(1)	10	55	(29)	(7)	7	55
45	70	203	342	43	83	174	446
5462	7164	9029	9574	4381	6629	9148	14,425
349	390	712	809	294	388	687	1206
860	906	1260	1200	755	913	1232	1843
1274	1328	1995	1968	1080	1325	1877	3141
500	596	789	896	487	583	724	1111
597	588	669	889	512	607	739	975
580	582	902	1213	503	607	866	1447
2984	3206	4440	5195	2513	3208	4411	6641
2553	3756	4817	5444	1932	3546	4810	8210
311	375	475	648	274	345	470	893
$1671	$2739	$3363	$3718	$1497	$2294	$4019	$5586

U.S. Lodging Industry—1979
Ratios to Total Sales

Rooms	Age of Property			
	Built Pre-1940	Built 1940–1959	Built 1960–1969	Built in 1970s
Sales	100.0%	100.0%	100.0%	100.0%
Departmental Expenses				
Payroll & Related Expenses	19.0	17.5	18.3	17.2
Other	7.6	8.0	6.6	5.7
Total	26.2	25.1	24.7	23.0
Departmental Income	73.8	75.0	75.3	77.0
Ratio to Total Sales	39.7	43.7	47.0	48.3
Food & Beverage				
Sales				
Food	74.5	75.4	71.6	69.7
Beverage	25.5	24.6	29.5	30.4
Total	100.0	100.0	100.0	100.0
Cost of Sales				
Food	32.6	32.5	36.4	36.5
Beverage	21.3	21.9	22.1	22.5
Total	29.5	30.1	31.8	31.9
Gross Profit	70.5	69.9	68.2	68.1
Public Room Sales	2.9	1.7	2.4	3.0
Other Income	1.5	.5	.3	.3
Gross Profit & Other Income	74.5	71.6	70.4	71.1
Departmental Expenses				
Payroll & Related Expenses	53.3	42.5	40.9	38.3
Other	10.9	8.8	11.7	11.9
Total	62.5	52.8	53.8	51.3
Departmental Income	13.5	17.6	18.0	21.0
Ratio to Total Sales	4.8	6.5	5.7	6.4
Telephone Departmental Income	(1.1)	(.6)	(.6)	(.4)
Net Income From Minor Operated Departments	.1	N	N	N
Rentals & Other Income	2.1	1.0	1.0	.5
Gross Income	46.6	50.6	53.8	56.6
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	4.4	4.2	3.6	3.7
Other	6.6	7.0	7.8	7.5
Total	11.1	11.0	11.5	11.3
Marketing	3.9	3.8	4.9	5.3
Energy Costs	4.7	4.2	5.3	4.8
Property Operation & Maintenance	6.6	6.7	5.9	4.7
Total Undistributed Expenses	25.2	26.3	28.8	27.0
Income Before Fixed Charges	19.5	26.7	26.5	29.5
Property Taxes & Insurance	3.0	2.3	3.4	3.0
Income Before Interest & Depreciation	17.0%	25.6%	16.2%	21.2%

*See page 32.
N-Negligible amount.

All amounts are medians and do not necessarily add to the totals shown. All ratios are based on total sales except those of the rooms, and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

Size of Property				Average Rate*			
Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms	Group A	Group B	Group C	Group D
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
18.6	17.6	16.4	17.3	20.0	17.7	16.5	16.0
6.1	5.6	7.1	7.9	5.4	5.9	7.1	7.3
25.1	23.3	23.9	24.9	25.8	23.6	23.4	23.4
74.9	76.8	76.2	75.1	74.2	76.4	76.6	76.7
48.6	48.8	45.6	41.0	47.8	49.2	45.1	42.9
70.7	70.8	72.2	72.2	71.8	71.8	71.1	70.4
30.9	30.2	27.8	27.8	28.7	28.5	28.9	29.6
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
37.0	37.1	33.8	32.6	37.6	37.0	33.4	33.8
23.0	22.5	21.9	20.4	25.3	22.5	21.4	20.8
32.5	32.4	30.1	29.4	33.5	32.1	30.0	30.0
67.5	67.6	69.9	70.6	66.5	67.9	70.0	70.0
2.1	3.0	4.0	1.4	2.3	3.1	3.1	1.9
.2	.2	.8	1.0	.1	.2	.6	1.0
70.2	70.6	72.2	72.4	69.9	70.5	72.3	72.4
39.3	39.6	39.9	42.1	44.4	39.2	39.5	42.3
12.1	12.2	11.3	1.0	12.2	12.6	10.7	11.1
52.9	52.2	52.1	53.8	55.7	51.9	50.2	53.7
18.2	18.4	20.9	20.4	17.1	18.8	21.1	18.8
5.9	5.4	6.5	6.7	5.3	5.8	6.7	7.3
(.5)	(.4)	(.6)	(.8)	(.5)	(.4)	(.7)	(.7)
(1.0)	N	N	.3	(.3)	(.1)	.1	.2
.4	.7	1.4	1.4	.5	.7	1.1	1.3
53.3	55.1	53.4	50.6	51.8	55.2	53.1	52.9
3.6	3.6	4.2	4.2	3.6	3.6	4.4	4.2
8.9	7.4	7.1	5.8	9.3	7.6	7.0	6.2
12.8	11.2	11.4	9.8	13.1	11.5	10.7	10.4
5.1	5.1	4.6	4.2	6.3	5.1	4.4	4.0
5.7	4.9	4.0	4.5	6.4	5.2	4.2	3.5
5.7	5.3	5.0	5.8	6.1	5.4	4.9	4.9
30.0	26.8	26.3	24.3	32.2	27.7	24.6	23.0
24.7	28.8	29.8	28.4	20.7	28.0	29.2	30.0
2.9	3.1	3.0	2.9	2.9	3.0	3.0	2.8
13.7%	21.2%	18.5%	24.4%	14.8%	20.4%	21.0%	22.5%

U.S. Lodging Industry—1979
Statement of Income and Expenses
—Median Amounts Per Available Room

All amounts are medians and do not necessarily add to the totals shown.

	Occupancy				
Rooms	Under 50%	50-59%	60-69%	70-79%	80% & Over
Sales	$4510	$5668	$7055	$8710	$11,195
Departmental Expenses					
Payroll & Related Expenses	889	1043	1308	1511	1983
Other	307	354	437	545	717
Total	1244	1375	1811	2048	2556
Departmental Income	3018	4261	5544	6706	8339
Food & Beverage					
Sales					
Food	1621	1721	2326	3233	4305
Beverage	627	729	1170	1662	1808
Total	2306	2415	3646	4961	6076
Cost of Sales					
Food	576	625	913	1175	1521
Beverage	176	185	258	385	384
Total	755	803	1223	1543	1898
Gross Profit	1398	1647	2410	3340	4331
Public Room Sales	47	49	105	125	199
Other Income	10	11	15	26	48
Gross Profit & Other Income	1637	1702	2469	3449	4463
Departmental Expenses					
Payroll & Related Expenses	932	1114	1351	1648	2512
Other	233	314	454	650	636
Total	1160	1408	1967	2277	2994
Departmental Income	336	401	662	963	1331
Telephone Departmental Income	(83)	(65)	(64)	(54)	(103)
Net Income From Minor Operated Departments	(1)	(60)	(1)	1	12
Rentals & Other Income	48	20	106	123	175
Gross Income	3391	4414	6068	7799	10,202
Undistributed Operating Expenses					
Administrative & General					
Payroll & Related Expenses	286	365	381	461	606
Other	577	866	946	1143	1302
Total	975	1224	1325	1561	2014
Marketing	460	508	585	762	728
Energy Costs	464	507	620	642	709
Property Operation & Maintenance	368	547	635	760	871
Total Undistributed Expenses	2226	2765	3345	3755	4410
Income Before Fixed Charges	1315	1554	2769	4026	5652
Property Taxes & Insurance	280	280	356	378	469
Income Before Interest & Depreciation	$ 503	$1023	$1845	$2879	$4489

[1]Restaurant rental income used.
N-Negligible amount.

Total Sales				Restaurant Not Operated	Restaurant Operated Total Food & Beverage Sales Ratio to Room Sales			
Under $1,400,000	$1,400,000–$2,499,999	$2,500,000–$5,999,999	$6,000,000 & Over		Under 50%	50–74%	75–99%	100% & Over
$5738	$7159	$9186	$11,819	$7748	$7596	$8487	$9858	$9226
1069	1308	1560	2010	1398	1290	1510	1712	1634
349	388	581	866	387	435	535	746	786
1429	1715	2086	2855	1867	1743	2039	2437	2414
4333	5440	7072	9339	5904	5741	6389	7267	6925
1657	2147	3524	5563	—	1872	3594	5590	7211
729	930	1439	2223	—	820	1564	2803	3115
2332	3078	4908	8111	—	2567	4971	8154	9738
597	779	1229	1823	—	686	1225	1832	2676
186	238	333	463	—	184	336	555	688
782	1043	1523	2477	—	856	1543	2418	3268
1477	2034	3388	5637	—	1723	3426	5708	6815
49	85	153	153	—	79	127	135	230
1	4	33	64	—	4	36	65	87
1642	2183	3474	5757	—	1818	3454	5891	7164
1012	1210	1847	3195	—	1098	1854	3291	3723
204	368	649	820	—	303	641	938	1156
1301	1667	2617	3976	—	1426	2556	4088	5046
324	580	1044	1493	643[1]	425	974	1789	2403
(51)	(32)	(70)	(177)	(9)	(44)	(72)	(126)	(139)
(98)	(1)	0	44	14	(12)	6	16	14
19	69	142	254	138	50	147	158	228
4411	6152	8584	11,283	6568	5998	7471	9533	9707
298	372	482	952	284	374	514	840	832
802	804	1085	1401	725	855	1082	1204	1287
1091	1257	1568	2314	1066	1256	1515	2060	2312
429	541	759	934	432	536	700	921	902
535	562	642	877	486	535	645	875	983
483	575	707	1180	482	567	715	971	1064
2539	3046	3682	5318	2586	2986	3695	4805	5254
1920	2995	4717	5818	4018	3028	3481	5079	4525
280	334	445	698	362	326	357	665	498
$1160	$2182	$3533	$4100	$2590	$2146	$2308	$3173	$3436

U.S. Lodging Industry—1979
Ratios to Total Sales

	Occupancy				
Rooms	Under 50%	50-59%	60-69%	70-79%	80% & Over
Sales	100.0%	100.0%	100.0%	100.0%	100.0%
Departmental Expenses					
Payroll & Related Expenses	19.1	18.0	18.2	17.1	16.5
Other	7.2	6.0	6.3	6.5	6.6
Total	28.3	26.0	24.6	23.4	23.2
Departmental Income	71.7	74.0	75.4	76.7	76.8
Ratio to Total Sales	44.3	47.4	47.0	47.5	47.7
Food & Beverage					
Sales					
Food	71.4	72.3	73.6	70.2	70.9
Beverage	30.7	27.8	26.9	30.1	29.1
Total	100.0	100.0	100.0	100.0	100.0
Cost of Sales					
Food	37.5	36.0	36.5	36.0	34.9
Beverage	24.0	23.7	22.4	21.9	21.0
Total	34.3	31.8	32.1	31.1	29.8
Gross Profit	65.7	68.2	67.9	69.0	70.2
Public Room Sales	2.8	2.4	2.6	2.5	3.4
Other Income	.4	.3	.3	.3	.8
Gross Profit & Other Income	68.4	70.5	71.1	71.0	72.7
Departmental Expenses					
Payroll & Related Expenses	40.6	44.4	40.0	39.1	39.3
Other	12.8	12.2	11.8	11.9	10.5
Total	52.7	54.8	53.0	52.9	49.3
Departmental Income	14.7	16.3	18.6	19.1	22.1
Ratio to Total Sales	4.1	4.8	5.9	6.1	7.5
Telephone Departmental Income	(1.0)	(.7)	(.6)	(.3)	(.5)
Net Income From Minor Operated Departments	N	(.8)	N	N	.1
Rentals & Other Income	.7	.3	.8	.7	1.3
Gross Income	48.2	50.8	53.2	54.9	56.2
Undistributed Operating Expenses					
Administrative & General					
Payroll & Related Expenses	4.2	4.1	3.8	3.7	3.6
Other	8.4	10.3	7.9	7.3	6.5
Total	12.5	14.1	11.6	11.1	10.4
Marketing	5.2	5.6	5.2	4.9	3.6
Energy Costs	6.5	5.9	5.5	4.5	4.0
Property Operation & Maintenance	5.8	6.2	5.5	5.4	5.0
Total Undistributed Expenses	30.4	32.6	29.0	26.7	23.0
Income Before Fixed Charges	15.7	19.2	25.7	29.0	33.3
Property Taxes & Insurance	4.0	3.3	3.3	3.0	2.6
Income Before Interest & Depreciation	7.9%	11.8%	18.4%	22.5%	25.3%

[1]Restaurant rental income used.
N-Negligible amount.

All amounts are medians and do not necessarily add to the totals shown. All ratios are based on total sales except those of the rooms, and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

Total Sales				Restaurant Not Operated	Restaurant Operated Total Food & Beverage Sales Ratio to Room Sales			
Under $1,400,000	$1,400,000–$2,499,999	$2,500,000–$5,999,999	$6,000,000 & Over		Under 50%	50–74%	75–99%	100% & Over
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
18.8	18.3	16.8	16.3	18.4	17.2	18.2	17.1	17.4
6.3	5.4	6.1	7.6	6.1	5.9	6.6	7.4	7.4
25.2	23.8	23.0	24.5	24.3	23.1	24.4	24.0	25.8
74.8	76.2	77.0	75.5	75.7	76.9	75.6	76.0	74.2
52.0	49.4	47.0	41.1	67.5	54.0	44.7	38.5	33.3
73.6	69.6	71.0	72.0	—	71.8	71.1	69.9	71.5
28.4	31.1	29.1	28.1	—	28.9	29.0	30.1	28.5
100.0	100.0	100.0	100.0	—	100.0	100.0	100.0	100.0
36.9	38.0	35.6	33.2	—	36.3	35.2	35.7	36.4
24.7	22.9	21.6	21.0	—	23.0	21.6	21.8	21.1
33.4	33.6	31.5	29.9	—	32.2	30.3	30.4	31.7
66.6	66.4	68.5	70.1	—	67.8	69.8	69.6	68.3
2.2	3.2	3.4	2.1	—	3.2	2.5	1.9	1.9
N	.2	.6	.9	—	.1	.6	.8	.9
70.3	69.9	71.7	72.4	—	70.9	71.6	70.7	70.9
45.3	37.4	38.1	42.3	—	44.0	38.5	37.8	35.1
12.2	13.1	11.9	10.7	—	12.0	11.5	11.1	10.5
56.4	51.1	50.4	53.2	—	55.9	51.1	48.3	48.5
14.9	18.6	21.1	20.3	—	16.4	21.1	21.1	21.5
4.1	5.3	6.7	7.7	6.2[1]	3.8	7.3	9.1	10.8
(.7)	(.3)	(.4)	(.8)	(.1)	.4	(.6)	(.6)	(.7)
(1.3)	N	N	.2	.2	.1	N	.1	.1
.3	.7	1.0	1.3	1.5	.6	1.0	.8	1.3
54.4	55.1	55.1	50.6	72.7	57.8	51.7	48.8	44.7
3.6	3.3	3.3	4.4	3.5	3.6	3.9	4.3	3.9
10.4	7.7	7.2	6.4	8.6	8.9	7.3	7.0	6.5
13.8	10.9	10.9	10.5	13.1	12.5	11.1	10.9	10.3
5.3	5.5	5.0	4.2	5.0	5.1	4.9	4.4	4.3
6.6	5.2	4.1	4.1	6.2	5.2	4.8	3.9	4.4
5.9	5.5	4.5	5.3	5.4	5.5	5.3	5.1	5.1
32.3	28.0	24.8	24.6	30.6	28.4	27.0	25.6	23.7
23.7	29.2	30.0	26.1	42.7	30.6	24.4	24.5	20.3
3.4	3.0	2.7	3.0	5.6	3.1	2.8	3.0	2.5
12.7%	21.0%	22.5%	18.8%	33.3%	22.4%	15.9%	14.9%	16.2%

U.S. Lodging Industry—1979
Statement of Income and Expenses
—Median Amounts Per Available Room

All amounts are medians and do not necessarily add to the totals shown.

	Area				
Rooms	Northeast	Southeast	North Central	South Central	West
Sales	$9849	$7693	$7786	$7772	$9228
Departmental Expenses					
Payroll & Related Expenses	1848	1308	1478	1294	1490
Other	740	434	394	527	631
Total	2671	1817	1933	1945	2193
Departmental Income	7115	5650	5971	5807	7069
Food & Beverage					
Sales					
Food	4583	2287	2800	2112	3635
Beverage	1980	1232	1532	993	1258
Total	6353	3268	4583	3060	4908
Cost of Sales					
Food	1481	864	1033	779	1237
Beverage	430	312	329	242	258
Total	1902	1186	1335	1006	1501
Gross Profit	4236	2211	2980	2058	3458
Public Room Sales	150	80	92	76	172
Other Income	49	29	22	9	38
Gross Profit & Other Income	4324	2285	2980	2202	3544
Departmental Expenses					
Payroll & Related Expenses	2920	1278	1476	1151	1912
Other	782	417	622	409	536
Total	3506	1715	2193	1762	2651
Departmental Income	1058	647	932	454	972
Telephone Departmental Income	(109)	(64)	(64)	(50)	(106)
Net Income From Minor Operated Departments	17	9	(4)	(24)	0
Rentals & Other Income	144	133	99	54	157
Gross Income	8357	6308	6811	6168	8539
Undistributed Operating Expenses					
Administrative & General					
Payroll & Related Expenses	711	373	403	398	514
Other	1212	802	1080	859	955
Total	2019	1192	1462	1324	1511
Marketing	823	585	659	579	648
Energy Costs	902	665	619	573	585
Property Operation & Maintenance	987	572	644	707	665
Total Undistributed Expenses	4399	3210	3390	3202	3463
Income Before Fixed Charges	4635	3049	3458	2793	4812
Property Taxes & Insurance	656	334	428	379	318
Income Before Interest & Depreciation	$2607	$2144	$2232	$1920	$3562

U.S. Lodging Industry—1979 Ratios to Total Sales

All amounts are medians and do not necessarily add to the totals shown. All ratios are based on total sales except those of the rooms, and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

	Area				
Rooms	Northeast	Southeast	North Central	South Central	West
Sales	100.0%	100.0%	100.0%	100.0%	100.0%
Departmental Expenses					
Payroll & Related Expenses	18.1	18.3	18.3	17.6	16.4
Other	6.5	6.0	5.6	6.8	6.6
Total	25.0	25.1	24.1	24.8	23.1
Departmental Income	75.0	74.9	75.9	75.3	76.9
Ratio to Total Sales	45.2	46.6	46.0	50.6	48.3
Food & Beverage					
Sales					
Food	71.0	70.5	66.8	73.9	72.7
Beverage	29.0	29.9	33.2	27.6	27.3
Total	100.0	100.0	100.0	100.0	100.0
Cost of Sales					
Food	33.6	36.7	38.0	35.7	34.8
Beverage	21.9	24.3	22.1	22.6	21.2
Total	29.9	32.6	31.7	32.3	30.4
Gross Profit	70.1	67.4	68.3	67.7	69.6
Public Room Sales	2.0	1.9	2.1	2.4	4.1
Other Income	1.0	.6	.3	.2	.6
Gross Profit & Other Income	71.9	69.6	70.3	71.6	72.4
Departmental Expenses					
Payroll & Related Expenses	42.7	38.9	39.3	40.3	40.6
Other	11.1	11.6	12.4	12.5	10.4
Total	55.1	49.7	51.5	57.7	51.5
Departmental Income	16.3	20.1	18.6	16.8	21.0
Ratio to Total Sales	6.1	5.2	6.7	4.3	6.7
Telephone Departmental Income	(.8)	(.5)	(.5)	(.4)	(.5)
Net Income From Minor Operated Departments	.1	.1	N	(.2)	N
Rentals & Other Income	.9	1.4	.7	.5	1.2
Gross Income	54.0	53.6	52.5	55.5	55.8
Undistributed Operating Expenses					
Administrative & General					
Payroll & Related Expenses	3.8	3.9	3.4	4.0	3.8
Other	6.7	6.8	8.3	8.8	7.0
Total	10.4	10.4	12.1	12.5	11.1
Marketing	4.3	5.1	5.1	5.1	4.1
Energy Costs	5.3	5.6	5.0	5.2	3.7
Property Operation & Maintenance	5.1	5.3	5.4	5.9	5.0
Total Undistributed Expenses	25.6	25.9	28.7	29.6	24.6
Income Before Fixed Charges	26.6	26.5	24.7	26.0	31.7
Property Taxes & Insurance	4.3	2.9	3.9	2.8	2.4
Income Before Interest & Depreciation	17.9%	20.4%	17.6%	16.2%	26.6%

N-Negligible amount.

U.S. Lodging Industry—1979

Medians, lower & upper quartiles for revenue, expenses and balance sheet items

	Under 150 Rooms			150–299 Rooms		
	Lower Quartile	**Median**	Upper Quartile	Lower Quartile	**Median**	Upper Quartile
General Statistics						
Percentage of Occupancy	62.0%	**68.0%**	76.7%	63.1%	**71.5%**	79.2%
Percentage of Double Occupancy	22.5	**35.3**	45.9	22.3	**29.8**	41.5
Average Room Rate	$24.43	**$26.69**	$29.48	$27.25	**$30.71**	$35.04
Income Before Fixed Charges						
Ratio to Room Sales	28.6%	**39.5%**	46.3%	34.5%	**45.9%**	54.2%
Ratio to Total Sales	16.7%	**24.7%**	31.6%	21.8%	**28.8%**	34.1%
Number of Times Average Rate Earned	60	**95**	123	81	**118**	152
Sales and Payroll						
Food Sales						
Ratio to Room Sales	23.6%	**33.1%**	42.4%	24.4%	**31.5%**	45.5%
Beverage Sales						
Ratio to Food Sales	26.7	**44.7**	67.8	32.5	**43.2**	56.7
Telephone Sales						
Ratio to Room Sales	3.5	**4.4**	5.1	3.8	**4.5**	5.1
Ratio to Total Sales	2.2	**2.7**	3.4	2.3	**2.7**	3.3
Telephone Departmental Loss—						
Ratio to Room Sales	(1.6)	**(.8)**	N	(1.4)	**(.7)**	.1
Ratio to Total Sales	(1.1)	**(.5)**	N	(.8)	**(.4)**	.1
Rentals & Other Income—						
Ratio to Room Sales	(.8)	**.6**	2.8	.3	**.9**	2.2
Ratio to Total Sales	(.5)	**.4**	1.6	.2	**.7**	1.3
Ratio to Total Sales						
Cash Payroll	23.3	**25.4**	28.2	22.3	**25.3**	28.3
Employee Benefits	4.2	**5.4**	6.1	4.3	**5.0**	7.0
Net Payroll & Related Expenses	27.7	**30.6**	34.1	26.6	**30.6**	35.2
Rooms Department						
Ratios to Room Sales						
Payroll & Related Expenses	17.0	**18.6**	21.3	15.1	**17.6**	19.7
Commissions (including travel agents)	.1	**.2**	.3	.1	**.2**	.5
Contract Cleaning	.1	**.2**	.3	N	**.2**	.3
Linen	.7	**1.0**	1.3	.6	**.8**	1.2
Laundry & Dry Cleaning	.2	**.6**	1.9	.3	**1.1**	1.8
Operating Supplies	1.5	**1.9**	2.2	1.3	**1.7**	2.0
Other Operating Expenses	.5	**.8**	1.4	.3	**.9**	1.5
Reservation Expense	.7	**1.1**	1.8	.4	**.8**	1.3
Uniforms	.1	**.2**	.3	.1	**.2**	.4
Total Expenses	22.6	**25.1**	27.9	21.1	**23.3**	25.9
Departmental Income	71.8	**74.9**	77.3	74.1	**76.8**	78.8
Ratio of Departmental Income to Total Sales	42.6	**48.6**	57.9	42.9	**48.8**	54.4

N Negligible amount.

300-600 Rooms			Over 600 Rooms		
Lower Quartile	**Median**	Upper Quartile	Lower Quartile	**Median**	Upper Quartile
69.0%	**77.0%**	82.7%	61.4%	**69.6%**	76.9%
24.9	**34.4**	41.8	32.1	**37.0**	42.5
$32.35	**$36.87**	$46.15	$35.51	**$43.10**	$53.03
34.2%	**46.0%**	55.7%	34.6%	**45.0%**	59.4%
19.4	**29.8**	35.5	19.7	**28.4**	31.1
96	**127**	160	79	**118**	159
27.5%	**39.3%**	50.0%	36.3%	**49.2%**	55.1%
32.5	**38.6**	45.7	35.1	**38.6**	42.8
3.8	**4.7**	5.6	4.0	**4.6**	5.0
2.3	**2.7**	3.3	2.2	**2.5**	2.9
(2.0)	**(1.1)**	(.4)	(2.1)	**(1.5)**	(1.0)
(1.0)	**(.6)**	(.3)	(1.1)	**(.8)**	(.6)
1.0	**2.1**	4.1	1.8	**2.7**	4.0
.6	**1.4**	2.5	1.1	**1.4**	2.2
22.3	**25.6**	29.0	24.4	**25.8**	30.3
5.0	**7.6**	10.2	8.3	**9.2**	9.8
29.1	**33.4**	38.8	31.6	**35.3**	40.6
15.2	**16.4**	18.3	14.8	**17.3**	19.3
.4	**.7**	1.1	.4	**.5**	1.0
.1	**.2**	.3	.3	**.6**	.7
.5	**.8**	1.0	.7	**.8**	1.0
1.3	**1.6**	2.1	1.6	**1.9**	2.3
1.3	**1.6**	2.0	1.2	**1.4**	1.9
.3	**.7**	1.0	.2	**.5**	1.1
.4	**.7**	1.0	.3	**1.0**	2.0
.1	**.2**	.2	.1	**.2**	.3
22.1	**23.9**	25.5	23.1	**24.9**	26.7
74.1	**76.2**	77.8	72.1	**75.1**	76.7
39.7	**45.6**	49.7	36.7	**41.0**	45.9

(continued on next page)

U.S. Lodging Industry—1979 (continued)

	Under 150 Rooms			150–299 Rooms		
	Lower Quartile	**Median**	Upper Quartile	Lower Quartile	**Median**	Upper Quartile
Restaurant Department						
Food Cost Per Dollar Sale*	34.5¢	**37.0¢**	40.4¢	34.8¢	**37.1¢**	39.7¢
Beverage Cost Per Dollar Sales	21.0¢	**23.0¢**	26.8¢	20.0¢	**22.5¢**	24.6¢
Ratios to Food & Beverage Sales						
Payroll & Related Expenses	33.8%	**39.3%**	46.1%	34.2%	**39.6%**	46.9%
China, Glass, Silver & Linen	1.0	**1.5**	2.2	1.1	**1.6**	2.3
Contract Cleaning	.1	**.2**	.3	.1	**.2**	.5
Kitchen Fuel	.2	**.6**	.7	.1	**.4**	.6
Laundry & Dry Cleaning	N	**.5**	1.3	.3	**.8**	1.3
Licenses	.2	**.4**	.6	.1	**.3**	.5
Music & Entertainment	.3	**2.4**	6.4	1.9	**3.5**	5.9
Operating Supplies	2.3	**2.7**	3.6	2.1	**2.5**	3.3
Other Operating Expenses	.1	**.6**	1.0	.4	**.8**	1.7
Uniforms	.3	**.5**	.7	.3	**.5**	.8
All Other Expenses	.6	**1.4**	3.2	.5	**1.3**	2.1
Total Expenses	46.7	**52.9**	59.9	45.9	**52.2**	59.8
Departmental Income	7.2	**18.2**	24.8	11.0	**18.4**	24.4
Ratio of Departmental Income to Room Sales	3.7	**8.7**	15.1	4.5	**8.7**	13.5
Ratio of Departmental Income to Total Sales	2.4	**5.9**	8.6	2.9	**5.4**	8.0
Administrative and General Expenses						
Ratios to Room Sales						
Payroll & Related Expenses	4.3	**5.2**	6.7	4.1	**5.4**	7.3
Bad Debts	.2	**.4**	.6	.2	**.3**	.6
Credit Card Commissions	1.3	**1.6**	1.9	1.4	**1.8**	2.1
Data Processing Service	.2	**.5**	1.9	.1	**.3**	.5
Insurance—General	.6	**.8**	1.4	.6	**.8**	1.4
Licenses & Dues	.2	**.3**	.4	.1	**.2**	.4
Management Fees	5.0	**7.3**	10.4	4.2	**5.5**	9.0
Operating Supplies	.5	**.8**	1.1	.5	**.6**	.9
Professional Fees	N	**.2**	.7	.1	**.3**	.8
Security	N	**.2**	.9	.1	**.3**	.9
Travel & Entertainment	.2	**.4**	.6	.2	**.4**	.6
All Other Expenses	.9	**1.5**	2.7	1.0	**1.4**	2.9
Total Expenses	14.8	**19.4**	22.7	14.8	**17.7**	21.3
Ratios to Total Sales						
Payroll & Related Expenses	3.1	**3.6**	4.1	2.6	**3.6**	4.6
All Other Expenses	7.2	**8.9**	10.7	5.7	**7.4**	10.4
Total Expenses	10.3	**12.8**	14.7	9.4	**11.2**	14.3
Cost Per Available Room	$1019	**$1274**	$1469	$1063	**$1328**	$1817
Payroll Taxes and Employee Benefits (Distributed to Various Departments)						
Ratios to Room Sales						
Payroll Taxes	2.7	**3.7**	4.5	3.0	**3.8**	4.9
Workmen's Compensation Insurance	.7	**1.4**	1.7	.6	**1.1**	1.9
Employee Benefits Insurance	.4	**.9**	1.2	.5	**.9**	1.5
Pension & Profit Sharing Plans	.1	**.3**	.7	.2	**.8**	1.7
All Other Benefits	.6	**2.1**	2.9	.7	**1.9**	2.4
Total	5.5	**7.2**	9.1	5.6	**7.1**	10.0
Ratio to Total Sales	3.9	**4.7**	5.8	3.5	**4.6**	6.0
Marketing						
Ratio to Room Sales	4.9	**7.8**	10.1	5.8	**8.0**	10.1
Ratio to Total Sales	3.5	**5.1**	6.5	3.5	**5.1**	6.2
Cost Per Available Room	$346	**$500**	$745	$395	**$596**	$816

*After credit for employees' meals.
N Negligible amount.

300–600 Rooms			Over 600 Rooms		
Lower Quartile	**Median**	Upper Quartile	Lower Quartile	**Median**	Upper Quartile
31.4¢	**33.8¢**	35.8¢	30.9¢	**32.6¢**	33.8¢
20.0¢	**21.9¢**	23.3¢	18.8¢	**20.4¢**	21.6¢
35.1%	**39.9%**	47.0%	39.1%	**42.1%**	48.2%
1.4	**1.8**	2.3	1.5	**2.0**	2.3
.1	**.2**	.3	.2	**.8**	1.2
.1	**.5**	.6	.3	**.3**	.4
.5	**.9**	1.3	.7	**.9**	1.2
.1	**.2**	.2	N	**.1**	.1
1.6	**2.5**	3.1	.6	**1.4**	2.6
1.5	**2.2**	2.6	1.7	**1.9**	2.2
.5	**.9**	1.3	.3	**.7**	1.5
.3	**.4**	.6	.3	**.4**	.7
.5	**1.4**	2.1	.4	**.8**	1.6
45.7	**52.1**	58.5	49.3	**53.8**	56.3
13.9	**20.9**	25.3	14.6	**20.4**	24.8
7.1	**10.6**	16.6	8.6	**11.4**	17.7
4.5	**6.5**	9.2	5.0	**6.7**	9.4
4.8	**7.3**	8.3	5.9	**7.2**	8.2
.2	**.3**	.5	.3	**.4**	.6
1.6	**1.9**	2.1	1.8	**2.2**	2.6
.1	**.2**	.3	.2	**.3**	.5
.7	**1.1**	1.4	.8	**1.0**	1.4
.1	**.1**	.3	.1	**.1**	.2
4.6	**5.6**	7.3	3.7	**5.3**	6.3
.3	**.5**	.7	.3	**.4**	.6
.2	**.6**	.9	.1	**.3**	.5
.1	**.2**	.6	N	**.1**	.2
.2	**.3**	.5	.1	**.2**	.3
.7	**1.0**	1.6	.8	**1.0**	1.6
14.9	**18.9**	23.0	15.0	**18.1**	20.9
3.0	**4.2**	4.7	3.4	**4.2**	4.6
5.8	**7.1**	9.0	4.5	**5.8**	7.2
9.3	**11.4**	13.4	8.3	**9.8**	11.5
$1424	**$1995**	$2464	$1580	**$1968**	$2795
3.1	**3.9**	4.8	3.8	**4.7**	5.8
.7	**1.3**	1.9	.7	**1.4**	1.9
.5	**1.4**	3.1	1.3	**2.8**	3.7
.7	**1.2**	1.7	.6	**1.7**	2.0
.2	**1.6**	3.6	.9	**2.2**	5.1
5.5	**9.4**	13.9	11.4	**13.4**	15.1
3.8	**5.9**	8.6	5.9	**7.6**	8.3
5.8	**7.8**	9.4	5.7	**7.2**	9.2
3.5	**4.6**	5.7	3.2	**4.2**	5.0
$596	**$789**	$987	$641	**$896**	$1068

(continued on next page)

U.S. Lodging Industry—1979 (continued)

	Under 150 Rooms			150–299 Rooms		
	Lower Quartile	**Median**	Upper Quartile	Lower Quartile	**Median**	Upper Quartile
Energy Costs						
Ratio to Room Sales	7.1%	**8.5%**	10.2%	6.4%	**7.3%**	9.3%
Ratio to Total Sales	4.7	**5.7**	7.0	3.9	**4.9**	5.8
Cost Per Available Room	$466	**$597**	$702	$486	**$588**	$708
Property Operation & Maintenance						
Ratio to Room Sales	7.0%	**8.9%**	11.6%	6.3%	**7.9%**	10.5%
Ratio to Total Sales	4.7	**5.7**	7.4	3.9	**5.3**	6.2
Cost Per Available Room	$464	**$580**	$761	$461	**$582**	$829
Current Assets						
Accounts Receivable (Net)						
Amount Per Room	$84	**$151**	$295	$181	**$412**	$830
Ratio to Total Sales	.9%	**1.5%**	2.8%	1.6%	**3.2%**	4.9%
Annual Turnover	26	**33**	70	19	**23**	28
Food Inventory						
Amount Per Room	$27	**$52**	$71	$39	**$59**	$98
Annual Turnover	14	**23**	26	20	**27**	36
Beverage Inventory						
Amount Per Room	$5	**$35**	$50	$21	**$48**	$88
Annual Turnover	6	**8**	10	5	**8**	11
Current Position						
Current Assets for Each Dollar of Current Liabilities	$.30	**$.74**	$1.53	$.53	**$.90**	$1.53

300–600 Rooms			Over 600 Rooms		
Lower Quartile	**Median**	Upper Quartile	Lower Quartile	**Median**	Upper Quartile
4.9%	**6.9%**	8.6%	5.9%	**7.7%**	9.6%
3.3	**4.0**	5.1	3.4	**4.5**	5.5
$549	**$669**	$875	$695	**$889**	$1125
6.0%	**9.1%**	11.5%	7.6%	**11.0%**	14.1%
4.0	**5.0**	6.9	4.7	**5.8**	7.1
$570	**$902**	$1176	$989	**$1213**	$1502
$419	**$708**	$1349	$723	**$1377**	$1823
2.6%	**4.1%**	5.8%	4.9%	**6.6%**	7.4%
18	**26**	34	13	**18**	21
$42	**$62**	$96	$42	**$58**	$70
24	**30**	33	22	**35**	37
$27	**$45**	$59	$35	**$45**	$63
7	**9**	11	7	**9**	10
$.51	**$.99**	$1.31	$.88	**$1.33**	$1.79

Trend of Lodging Industry Operations 1979, 1978, 1977, 1976, 1975

All figures are medians

	Under 150 Rooms					150–299 Rooms				
	1979	1978	1977	1976	1975	1979	1978	1977	1976	1975
House Income—Per Available Room										
Number of Times Average Room Rate	95	111	107	114	104	118	126	116	120	110
House Income—Ratio to Room Sales	40%	42%	42%	43%	44%	46%	46%	47%	47%	45%
Ratio to Total Sales	25	25	26	27	26	29	29	28	27	27
Rooms										
Percentage of Occupancy	68	71	66	70	63	72	74	71	68	68
Percentage of Double Occupancy	35	40	61	55	59	30	33	40	40	39
Average Room Rate	$26.69	$24.44	$22.20	$19.91	$17.81	$30.71	$26.10	$22.75	$21.44	$19.78
Departmental Income	74.9%	74.5%	74.1%	73.7%	72.3%	76.8%	76.6%	75.5%	74.8%	75.1%
Restaurant										
Food Sales—Ratio to Room Sales	33	37	38	45	49	32	36	38	49	47
Beverage Sales—Ratio to Food Sales	45	43	45	39	45	43	47	45	48	44
Food Cost Per Dollar Sale*	37.0¢	38.7¢	38.3¢	38.0¢	39.6¢	37.1¢	37.7¢	37.2¢	37.6¢	37.9¢
Beverage Cost Per Dollar Sale	23.0¢	25.3¢	24.5¢	25.6¢	26.4¢	22.5¢	22.7¢	22.9¢	23.5¢	24.9¢
Departmental Income	18.2%	19.6%	18.4%	18.6%	19.0%	18.4%	20.8%	19.8%	20.8%	18.8%
Departmental Income— Ratio to Room Sales	8.7	10.2	8.7	10.3	11.1	8.7	10.9	11.4	12.5	11.4
Telephone										
Sales—Ratio to Room Sales	4.4	4.2	4.2	4.4	3.9	4.5	5.1	5.4	5.2	4.7
Departmental Loss— Ratio to Room Sales	(.8)	(1.0)	(1.0)	(1.1)	(1.7)	(.7)	(.7)	(.8)	(1.0)	(1.7)
Store Rentals—Ratio to Room Sales	.6	.9	.9	.5	1.3	.9	1.3	1.2	.6	.8
Ratios to Room Sales										
Administrative & General Expenses	19.4	19.7	17.4	17.9	16.3	17.7	17.3	17.8	18.4	17.8
Payroll Taxes & Employee Benefits	7.2	7.4	6.3	5.6	4.9	7.1	7.0	6.0	5.5	5.8
Advertising & Promotion	7.8	7.2	7.7	7.1	7.5	8.0	8.2	8.4	7.8	7.1
Heat, Light & Power	17.5**	17.9**	17.2**	17.2**	9.4	15.6**	15.7**	16.2**	16.1**	8.5
Repairs & Maintenance	—	—	—	—	8.3	—	—	—	—	7.1
Ratios to Total Sales[1]										
Cash Payroll	25.4	24.8	26.3	24.5	26.3	25.3	24.5	25.0	24.3	26.3
Payroll Taxes & Employee Benefits	5.4***	4.4***	3.7	3.4	3.2	5.0***	4.9***	4.3	3.7	3.5
Total Payroll & Related Expenses	30.6	29.2	30.4	28.5	29.8	30.6	29.6	29.9	28.2	30.7
Administrative & General Expenses	12.8	11.0	11.1	11.4	9.8	11.2	10.7	11.0	11.0	11.0
Advertising & Promotion	5.1	5.0	5.1	4.3	4.3	5.1	4.9	4.6	4.6	4.5
Heat, Light & Power	11.4**	10.9**	11.0**	11.0**	5.9	10.2**	9.7**	9.9**	9.5**	5.4
Repairs & Maintenance	—	—	—	—	4.6	—	—	—	—	4.4

*After credit for employees' meals.
**In 1976 these accounts were changed to conform with the new uniform system of accounts to read Energy Costs and Property Operation and Maintenance. For comparison the figure shown is the sum of the two accounts.
***Includes employees' meals.
[1]Includes Store Rentals.

300–600 Rooms					Over 600 Rooms				
1979	1978	1977	1976	1975	1979	1978	1977	1976	1975
127	118	114	97	93	118	99	114	107	85
46%	46%	46%	42%	41%	45%	41%	47%	46%	41%
30	26	26	24	20	28	26	26	25	23
77	74	69	64	62	70	69	68	65	63
34	32	38	36	30	37	38	41	38	36
$36.87	$34.00	$28.57	$25.42	$24.70	$43.10	$36.93	$35.93	$33.02	$30.19
76.2%	75.7%	75.1%	73.7%	72.5%	75.1%	74.7%	74.3%	72.8%	71.1%
39	46	43	47	54	49	49	46	47	48
39	39	38	36	38	39	39	39	39	41
33.8¢	34.2¢	33.9¢	34.7¢	34.8¢	32.6¢	31.8¢	30.6¢	30.6¢	31.3¢
21.9¢	21.9¢	21.9¢	22.8¢	22.9¢	20.4¢	20.2¢	20.0¢	20.9¢	21.3¢
20.9%	20.0%	21.7%	17.7%	16.0%	20.4%	19.7%	21.0%	18.4%	18.7%
10.6	12.5	16.9	11.2	11.0	11.4	13.3	13.8	12.3	12.3
4.7	5.0	5.5	5.2	5.4	4.6	5.0	5.5	5.2	4.7
(1.1)	(1.4)	(1.7)	(2.0)	(2.8)	(1.5)	(1.7)	(1.8)	(1.9)	(2.4)
2.1	1.9	2.0	1.2	1.3	2.7	3.5	3.5	2.3	2.3
18.9	19.8	18.3	18.6	19.7	18.1	19.5	17.2	16.2	15.1
9.4	11.9	9.5	8.7	12.0	13.4	14.1	7.0	14.2	13.2
7.8	8.1	8.3	7.9	8.1	7.2	7.2	7.2	7.2	7.0
16.0**	17.1**	18.5**	18.5**	10.1	18.7	19.7**	20.3**	22.0**	11.2
—	—	—	—	[illegible]	—	—	—	—	10.0
25.6	26.8	26.8	28.0	29.7	25.8	27.4	27.4	28.7	30.4
7.6***	7.6***	6.4	5.9	6.4	9.2***	9.2***	8.0	7.9	7.1
33.4	33.9	33.3	34.8	36.9	35.3	36.9	37.6	37.7	38.8
11.4	10.8	10.2	10.5	10.4	9.8	10.6	9.5	9.4	8.5
4.6	4.3	4.6	4.5	4.1	4.2	4.2	4.0	4.0	3.9
9.0**	9.7**	9.7**	10.5**	5.9	10.3**	10.4**	11.6**	11.4**	6.4
—	—	—	—	4.5	—	—	—	—	5.4

Trend of Lodging Industry
Operation 1979, 1978, 1977, 1976, 1975

All figures are medians

	Under 150 Rooms					150-299 Rooms				
	1979	1978	1977	1976	1975	1979	1978	1977	1976	1975
Detail of Departmental Expenses										
Rooms Department — Ratios to Room Sales										
Payroll & Related Expenses	18.6%	19.4%	18.8%	19.9%	21.6%	17.6%	17.5%	17.9%	18.4%	18.6%
Contract Cleaning	.2	.2	.1	.1	.2	.2	.2	.2	.1	.2
Laundry & Dry Cleaning	.6	.9	.8	.8	.8	1.1	1.1	1.3	1.5	.9
Operating Supplies	1.9	1.8	1.8	2.0	1.9	1.7	1.6	1.6	1.8	1.5
Linen & Uniforms	1.2	1.0	1.1	1.0	1.1	1.0	.9	.9	1.0	.9
All Other Expenses	2.1	1.9	1.6	2.1	1.3	1.9	2.0	1.6	2.2	1.9
Restaurant Department — Ratios to Food & Beverage Sales										
Payroll & Related Expenses	39.3	37.9	36.4	35.8	35.3	39.6	36.0	36.6	33.4	36.2
Music & Entertainment (Less Cover Charges)	2.4	3.6	3.5	4.2	4.3	3.5	3.9	4.1	4.7	4.3
China, Glass, Silver & Linen	1.5	1.3	1.2	1.1	1.2	1.7	1.3	1.1	1.2	1.2
Contract Cleaning	.2	.1	.1	.2	1.0**	.2	.2	.2	.2	.8**
Kitchen Fuel	.6	.6	.5	.7	.4	.4	.7	.5	.5	.5
Laundry & Dry Cleaning	.5	.7	.4	.9	.8	.8	.8	.6	1.2	1.0
Operating Supplies	2.7	3.0	3.0	2.3	1.5	2.5	2.6	2.7	2.2	1.4
All Other Expenses	2.8	1.9	1.7	1.7	1.8	2.8	2.3	1.6	2.0	2.0
Administrative & General Expenses — Ratios to Room Sales										
Payroll & Related Expenses	5.2	5.5	6.0	6.1	6.6	5.4	5.6	6.0	6.4	6.4
Bad Debts	.4	.3	.3	.3	.4	.3	.4	.4	.5	.6
Credit Card Commissions	1.6	1.8	1.7	1.8	1.8	1.8	1.8	1.9	2.0	2.0
Insurance — General	.8	1.1	.9	.9	.8	.8	.9	.8	.8	.7
Licenses & Dues	.3	.2	.1	.2	.3	.2	.2	.2	.2	.2
Management Fees	7.4	5.3	6.3	5.7	6.0	5.5	5.4	5.0	5.1	5.2
Operating Supplies	.8	.8	.8	.8	.9	.6	.6	.7	.8	.8
Professional Fees	.2	.4	.5	.5	.6	.3	.5	.4	.5	.5
Travel & Entertainment	.4	.6	.3	.3	.7	.4	.3	.3	.3	.5
All Other Expenses	2.3	1.9	2.0	2.1	1.2	2.0	1.9	2.0	2.8	1.1
Payroll Taxes & Employee Benefits — Ratios to Room Sales										
Payroll Taxes	3.7	3.9	4.0	3.0	3.5	3.8	4.0	3.7	3.3	3.6
Workmen's Compensation Insurance	1.4	1.5	.9	.6	.8	1.1	1.0	.9	.8	.8
Employee Benefits Insurance	.9	.8	.8	.7	.8	.9	.9	.9	.9	1.3
All Other Benefits	2.4	1.7	2.2	1.6	.2	2.7	2.0	1.5	3.2	.7

**Includes cleaning supplies and expenses.

Trend of Lodging Industry
Operation 1979, 1978, 1977, 1976, 1975

All figures are medians

	Under 150 Rooms					150-299 Rooms				
	1979	1978	1977	1976	1975	1979	1978	1977	1976	1975
Balance Sheet Data										
Accounts Receivable (Net) at End of Year										
Amount Per Room	$151	$224	$128	$142	$178	$412	$401	$252	$282	$249
Ratio to Total Sales —	1.5%	2.5%	1.4%	1.8%	3.1%	3.2%	3.8%	3.1%	3.4%	3.4%
Food Inventory at End of Year										
Amount Per Room	$ 52	$ 46	$ 47	$ 73	$ 61	$ 59	$ 50	$ 41	$ 47	$ 40
Annual Turnover	23	27	18	18	17	27	22	25	20	20
Beverage Inventory at End of Year										
Amount Per Room	$ 35	$ 28	$ 33	$ 35	$ 33	$ 48	$ 31	$ 35	$ 26	$ 27
Annual Turnover	8	11	11	11	10	8	9	9	9	7
Current Assets for Each $ of Current Liabilities	$ .74	$ .65	$ .83	$ .96	$ .82	$ .90	$ .79	$1.22	$ .90	$ .97

300-600 Rooms					Over 600 Rooms				
1979	1978	1977	1976	1975	1979	1978	1977	1976	1975
16.4%	17.1%	17.8%	18.2%	19.5%	17.3%	17.4%	17.8%	18.4%	20.2%
.2	.3	.2	.3	.3	.6	.5	.7	.6	.8
1.6	1.6	1.8	2.1	2.0	1.9	2.0	2.1	2.2	2.1
1.6	1.5	1.5	1.5	1.5	1.4	1.3	1.4	1.3	1.2
.9	1.0	1.1	.5	.9	1.0	1.0	1.0	.7	1.0
2.1	2.2	2.0	2.8	2.1	2.0	2.1	2.0	3.0	3.6
39.9	40.0	39.6	42.3	43.0	42.1	42.7	44.3	45.6	46.4
2.5	2.4	2.8	2.7	2.5	1.4	1.1	1.0	1.1	1.5
1.8	1.7	1.8	1.7	1.7	2.0	2.0	2.3	2.1	2.1
.2	.2	.1	.2**	1.0**	.8	.8	.7	.6	1.0**
.5	.4	.4	.4	.4	.3	.4	.4	.4	.4
.9	.8	.9	1.0	1.1	.9	.9	.9	.8	.8
2.2	2.2	2.1	2.1	1.2	1.9	2.0	1.9	1.7	1.2
2.8	2.3	1.7	2.3	1.9	2.0	2.1	1.4	2.0	2.0
7.3	7.1	7.3	8.1	8.5	7.2	7.6	7.2	7.4	7.5
.3	.4	.4	.5	.6	.4	.5	.5	.6	.6
1.9	2.1	2.1	1.9	2.0	2.2	2.0	2.2	2.0	1.9
1.1	1.2	1.0	.9	.8	1.0	1.1	1.0	.8	.8
.1	.2	.2	.2	.3	.1	.1	.2	.2	.2
5.6	5.6	4.7	4.6	4.6	5.3	5.2	4.6	5.0	4.6
.5	.5	.6	.7	.8	.4	.4	.5	.5	.5
.6	.5	.5	.6	.4	.3	.3	.3	.3	.4
.3	.3	.3	.4	.6	.2	.1	.1	.1	.2
1.4	1.6	1.5	1.1	1.5	1.4	1.2	1.5	1.5	1.6
3.9	4.3	4.2	4.6	5.2	4.7	4.8	5.0	5.0	4.9
1.3	1.8	1.4	1.1	1.5	1.4	1.3	1.3	1.5	1.2
1.4	2.0	1.7	1.7	2.4	2.8	2.4	3.4	2.8	3.7
2.8	2.6	2.3	2.8	2.2	3.9	4.4	3.1	5.6	2.5

300-600 Rooms					Over 600 Rooms				
1979	1978	1977	1976	1975	1979	1978	1977	1976	1975
$708	$707	$508	$490	$481	$1377	$908	$869	$659	$715
4.1%	4.1%	4.2%	4.0%	4.9%	6.6%	5.5%	6.4%	4.9%	5.3%
$ 62	$ 64	$ 44	$ 44	$ 50	$ 58	$ 45	$ 38	$ 48	$ 73
30	27	27	22	24	35	36	37	25	10
$ 45	$ 43	$ 34	$ 36	$ 33	$ 45	$ 34	$ 35	$ 27	$ 30
9	9	9	7	7	9	10	10	8	7
$ .99	$.87	$.83	$ .85	$1.19	$1.33	$1.20	$1.20	$1.44	$1.43

Trends in the Lodging Industry

The chart on page 87 and the tables that follow are taken from Laventhol & Horwaths's monthly *Trend of Business in the Lodging Industry*, which has been issued continuously since 1928. The following comments are a summary of those in our report for December 1979 and other reports by the firm regarding the state of the lodging industry.

State of the industry

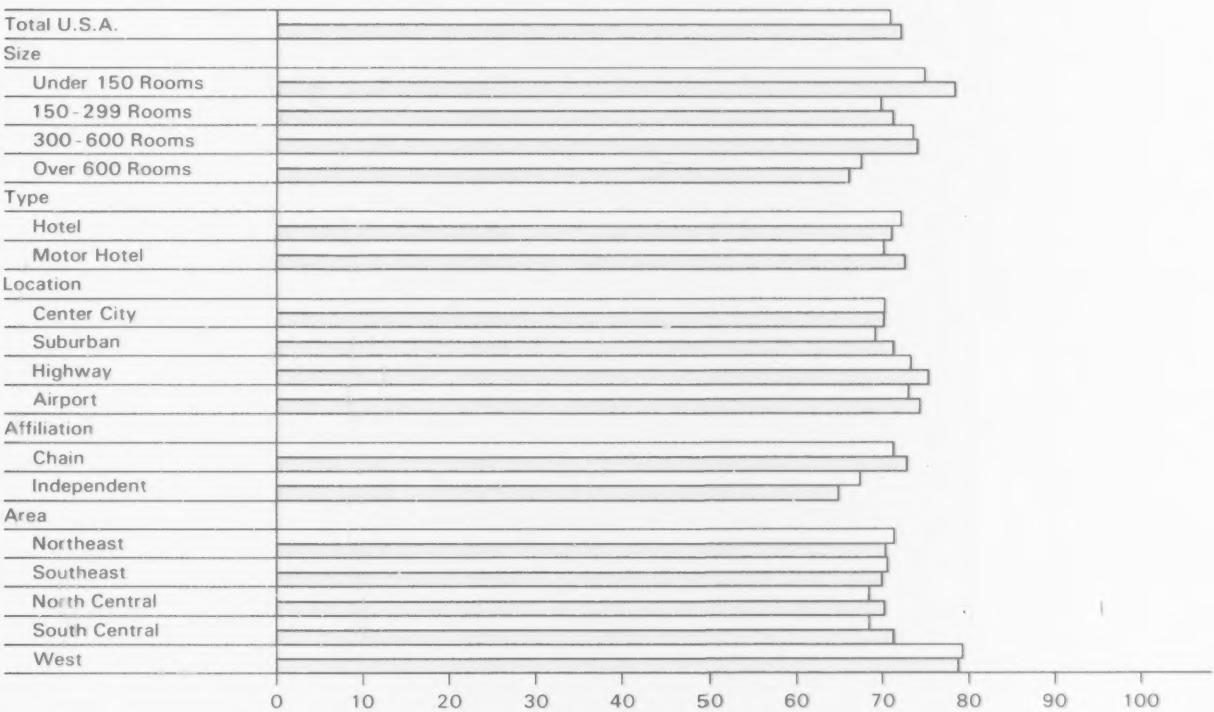
For 1979, room occupancy was 71 percent, the highest level reported in 22 years. The results were mixed when analyzed within the major classification groups; independents and large hotels showed increases in occupancies while chain affiliated, properties with less than 150 rooms and motor hotels experienced decreases. The comparison is shown graphically in the chart on page 87.

Total sales rose nearly 12 percent, a healthy rate of growth but considerably less than last year's 18 percent increase. Nearly all of the increase in 1980 was due to higher room rates with a smaller portion coming from an increase in double occupancies.

Current trend and outlook

As mentioned in our 1979 study, we anticipated a drop in occupancy and a moderate 6 to 7 percent increase in industry sales for 1980. Even though the first half results for 1979 were depressed due to gas shortages that developed around the country, the projected drop in occupancies still materialized with the occupancy rate for the total United States in the first eight months of 1980 falling 3 percent below the corresponding period in 1979. Sales, however, have risen considerably more rapidly than we had projected, up 12.1 percent by August 1980. An increase of 16.1 percent in room sales per occupied room combined with a 2.2 percent jump in double occupancies to push room sales up 14.3 percent. For the remainder of 1980, we expect occupancies to fall 2-3 percent below the same period in 1979 while sales should finish the year about 10 to 11 percent higher than 1979. The trend in overall economic activity is difficult to gauge at this point, especially if there is a shift in economic policy stemming from the elections, but the lodging industry should anticipate about the same or slightly lower occupancy rates in 1981 with sales increasing by about 10 percent.

Chart 3: Occupancy 12 months ended December 31, 1979*



*Top half of bar represents 1979 and bottom half 1978.
**Standard Metropolitan Statistical Area.

Trend of Business in the Lodging Industry for 1979

Percentages of Change from Corresponding Month of 1978

	Total U.S.A.	**Size**	Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms	**Type**	Hotel	Motor Hotel	**Location**	Center City	Suburban	Highway	Airport	**Affiliation**	Chain	Independent	**Area**	Northeast	Southeast	North Central	South Central	West
Total Sales																							
January	8.9		12.1	7.8	6.4	11.2		9.7	8.0		8.7	7.7	9.7	12.6		8.7	9.8		15.9	9.6	6.2	(2.5)	17.6
February	13.5		14.4	13.0	13.0	14.3		14.5	12.3		13.3	11.6	13.6	17.9		13.6	13.2		20.4	11.6	12.2	8.5	15.4
March	19.3		14.3	16.8	22.3	21.0		22.7	14.9		21.0	17.8	12.7	22.5		18.0	28.4		21.9	14.4	15.3	20.3	22.1
April	13.3		15.5	11.8	10.6	15.6		15.3	10.5		12.4	17.8	10.6	13.5		11.8	24.7		16.2	15.9	8.6	8.2	8.8
May	14.3		12.0	12.6	14.2	16.5		17.1	10.3		16.8	9.1	9.9	17.4		13.6	18.8		16.7	12.5	15.8	9.3	17.4
June	14.0		5.9	8.8	18.1	17.6		18.4	8.2		17.3	8.5	7.8	16.3		13.4	17.5		18.1	12.0	10.1	10.4	17.9
July	6.2		(.4)	1.9	10.0	8.9		10.3	1.7		8.6	1.1	(.3)	11.6		5.7	9.8		7.8	(2.9)	4.4	5.2	12.5
August	8.7		5.6	7.9	10.5	9.0		11.6	6.1		9.5	6.8	4.2	15.0		7.5	16.7		10.3	2.9	9.6	8.1	10.8
September	11.6		7.0	12.1	11.1	12.9		13.6	9.3		12.1	10.0	8.2	14.8		11.4	13.1		14.0	7.2	8.4	10.3	17.5
October	18.0		9.9	15.1	18.7	22.1		22.1	13.3		19.5	16.9	11.6	18.9		17.4	21.8		19.5	16.2	15.3	19.0	18.0
November	12.1		7.6	11.5	11.2	14.9		15.0	8.5		14.4	8.4	8.9	10.3		12.4	10.4		13.5	15.5	7.7	6.4	22.2
December	8.0		6.4	8.2	6.2	10.2		11.6	3.9		7.8	9.3	6.9	6.9		8.1	7.2		12.0	19.9	4.5	(3.7)	15.6
12 mos.	11.6		8.3	9.3	11.8	15.4		15.6	7.8		13.2	10.1	7.8	12.9		10.8	16.9		14.2	14.6	7.8	7.6	16.2
Room Sales																							
January	12.2		16.0	10.7	10.0	14.1		13.5	10.6		12.1	11.3	11.5	15.3		12.0	13.5		19.4	11.5	8.4	3.5	19.4
February	16.5		17.5	15.9	15.9	17.1		17.3	15.4		15.9	16.2	15.7	21.4		16.7	15.2		23.1	13.9	16.2	11.0	18.6
March	22.8		18.7	20.2	28.1	22.3		26.4	18.4		24.3	20.8	17.2	26.1		21.2	36.1		25.0	15.6	21.8	24.0	24.5
April	16.1		17.1	15.6	14.2	17.7		18.0	13.8		15.7	18.5	13.5	18.1		15.5	21.6		18.8	16.9	11.8	11.6	13.2
May	17.2		14.2	16.8	16.7	19.0		20.2	13.4		19.3	10.8	14.1	21.3		17.1	17.6		19.0	15.8	21.2	11.2	20.2
June	14.9		9.6	11.1	19.9	16.0		18.7	10.9		17.6	9.6	10.6	17.2		14.5	18.0		19.2	10.9	12.0	11.6	19.6
July	7.8		1.5	4.1	12.2	9.9		11.9	3.7		10.1	2.8	1.7	13.2		7.5	9.3		10.1	(3.3)	7.5	5.2	14.9
August	11.2		7.8	10.1	13.6	11.7		14.8	8.4		12.5	8.4	7.1	16.5		10.7	15.3		15.4	3.2	10.5	10.4	14.1
September	14.1		9.8	16.1	14.9	13.1		16.4	11.6		14.9	11.4	13.1	16.9		14.0	15.6		18.5	6.2	10.9	12.7	19.9
October	20.7		11.4	19.7	22.5	22.9		24.0	16.5		23.1	17.6	14.8	22.3		20.5	21.6		21.5	16.6	18.5	23.2	20.5
November	14.0		10.2	15.5	12.1	15.8		16.4	11.4		16.1	9.0	14.0	11.9		14.8	8.6		16.7	18.8	10.9	7.2	22.8
December	9.9		8.7	11.3	8.8	10.1		13.1	6.7		10.1	10.0	10.9	6.6		10.4	5.9		15.3	20.7	4.9	(1.3)	17.7
12 mos.	14.1		11.3	13.0	14.9	16.1		17.9	10.7		15.7	11.7	12.2	15.2		13.9	15.4		17.7	13.8	11.3	9.8	19.1
Restaurant Sales																							
January	4.3		7.1	3.1	1.5	6.6		4.3	4.3		3.5	3.7	4.8	8.1		4.0	5.9		11.0	7.6	3.1	(11.1)	14.9
February	9.3		10.6	8.5	8.5	10.0		10.5	7.3		9.3	6.5	10.5	12.4		9.0	11.0		16.4	8.8	6.7	4.7	10.5
March	14.3		8.7	10.8	14.0	19.1		17.6	8.8		16.0	14.2	6.1	17.1		13.2	20.2		18.0	12.7	6.1	14.9	18.1
April	9.3		13.9	5.1	5.1	12.6		11.7	4.8		6.9	17.1	6.2	6.2		6.7	28.9		12.9	14.9	3.6	2.6	3.7
May	10.1		9.0	5.5	10.5	12.9		12.9	4.9		12.8	7.2	3.6	11.2		8.2	20.3		13.8	8.4	7.5	6.1	13.0
June	12.4		.2	4.4	15.1	20.2		18.0	2.9		16.9	7.3	2.8	14.7		11.5	16.8		16.4	13.5	6.6	8.2	14.7
July	3.2		(3.5)	(2.8)	5.9	6.9		7.3	(2.6)		5.2	.0	(4.2)	8.5		2.0	10.5		3.4	(2.3)	(2.1)	5.3	7.5
August	4.0		2.0	3.2	5.1	4.0		6.4	1.2		3.1	4.7	(1.4)	12.1		1.2	18.7		1.6	2.3	7.9	3.8	3.9
September	7.9		1.6	4.3	7.6	12.5		9.1	6.3		8.6	8.2	(1.8)	11.1		7.6	9.9		7.1	9.0	3.4	8.1	12.8
October	14.4		6.9	6.1	15.3	20.9		19.0	9.5		15.2	15.9	5.0	12.4		13.3	22.2		16.6	15.5	8.7	15.2	13.5
November	9.1		2.7	4.0	9.9	13.4		12.9	3.0		11.7	7.7	(.6)	6.6		8.4	12.9		9.0	10.6	1.0	5.2	21.0
December	5.5		2.7	3.7	3.1	10.2		9.7	(.1)		4.5	8.6	1.0	7.7		5.0	8.9		7.8	18.8	3.8	(6.8)	12.6
12 mos.	7.3		2.6	2.1	7.6	14.0		11.8	2.8		9.2	7.9	(.5)	6.1		5.7	19.3		8.6	15.7	.2	4.3	10.9

	Total U.S.A.	Size	Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms	Type	Hotel	Motor Hotel	Location	Center City	Suburban	Highway	Airport	Affiliation	Chain	Independent	Area	Northeast	Southeast	North Central	South Central	West
Food Sales																							
January	5.1		9.4	3.5	1.6	7.9		4.8	5.7		4.3	4.3	4.5	10.9		4.9	6.0		11.0	8.5	4.0	(9.9)	15.0
February	10.2		13.3	8.6	9.2	10.9		11.2	8.2		9.9	7.2	11.0	15.4		10.1	10.3		18.1	12.3	6.9	3.5	11.3
March	15.1		9.5	11.8	15.3	18.9		18.2	9.5		16.5	15.0	8.0	16.5		14.0	20.7		18.0	13.3	6.8	16.1	19.5
April	10.4		16.0	5.4	6.8	13.1		12.6	6.3		7.2	19.5	7.1	7.2		8.0	28.2		12.4	17.3	5.8	2.8	1.4
May	11.6		9.8	7.3	12.1	14.1		14.4	6.2		14.4	8.6	7.1	9.2		9.5	23.0		14.5	10.2	9.8	8.8	13.1
June	12.4		.6	4.0	15.8	18.9		17.4	2.8		16.3	7.3	5.2	12.0		11.4	16.9		14.8	13.6	6.2	11.0	13.3
July	2.6		(5.0)	(3.8)	5.1	6.4		6.0	(2.9)		4.9	(.2)	(3.2)	4.2		1.3	11.2		1.6	(2.8)	(2.9)	7.7	5.2
August	3.5		(1.0)	1.8	5.3	4.6		6.6	(.3)		3.3	4.7	(1.6)	6.2		.4	18.8		2.2	1.9	5.9	4.3	2.4
September	8.5		1.5	4.4	7.7	14.1		10.3	6.1		8.8	10.0	1.2	6.9		8.0	12.2		6.8	10.1	3.5	9.9	12.2
October	15.0		8.5	6.5	15.7	20.5		19.4	9.6		15.0	16.7	8.9	11.3		13.7	22.8		17.1	14.4	10.2	17.0	11.7
November	9.7		1.5	5.8	10.7	12.4		13.1	3.4		11.6	9.0	1.0	5.1		9.1	12.4		9.4	9.8	.2	7.0	20.3
December	5.8		3.8	3.7	3.8	9.5		10.3	.7		4.4	8.0	3.2	8.9		5.8	5.4		8.1	18.9	.8	(5.5)	12.1
12 mos.	8.1		2.8	3.2	8.1	14.2		12.4	3.3		9.2	8.8	1.5	6.8		6.4	19.4		9.3	16.9	(.8)	6.1	10.2
Beverage Sales																							
January	2.5		2.0	2.1	1.2	3.4		3.0	1.3		1.6	2.1	5.4	1.8		1.9	5.7		11.0	5.2	1.1	(13.7)	14.8
February	7.3		4.4	8.4	6.8	7.8		8.5	5.4		7.7	4.7	9.5	5.7		6.4	13.0		12.7	(.1)	6.3	7.4	8.5
March	12.4		6.9	8.8	10.6	19.4		16.2	7.1		14.9	12.0	2.1	18.4		11.4	18.8		18.0	11.0	4.7	12.2	14.6
April	6.1		5.8	4.4	1.2	11.4		9.2	1.5		6.2	8.6	4.3	3.8		3.4	31.3		14.2	5.2	(1.3)	2.1	8.8
May	6.1		6.8	1.4	6.4	9.8		9.1	1.7		8.7	3.2	(4.3)	16.2		5.1	12.2		12.1	3.1	1.9	(.1)	12.7
June	12.4		(.8)	5.3	13.3	24.3		19.7	3.1		17.3	7.1	(2.4)	22.0		11.7	16.6		20.6	13.5	7.6	1.4	19.0
July	4.6		.7	(.6)	9.0	8.6		10.9	(2.1)		6.2	.4	(6.3)	20.0		4.0	8.0		8.0	(.6)	.0	(.4)	14.4
August	5.2		11.1	6.4	4.5	2.2		5.7	5.0		2.5	4.5	(1.1)	27.3		3.2	18.4		.1	3.4	13.1	2.6	8.6
September	6.4		2.0	4.2	7.5	7.8		5.9	6.8		8.0	3.2	(7.7)	22.4		6.7	3.0		7.8	5.7	3.3	4.7	14.7
October	13.1		2.9	5.2	14.4	22.0		17.8	9.3		15.4	13.6	(2.2)	15.4		12.2	20.3		15.2	18.8	5.3	11.7	19.6
November	7.7		5.9	.1	7.8	16.6		12.1	2.3		11.9	4.2	(4.0)	10.4		6.8	14.6		8.1	13.1	2.8	1.0	23.1
December	4.6		.0	3.6	1.5	12.4		8.1	1.1		4.7	10.1	(2.7)	5.5		3.3	19.7		6.9	18.6	9.7	(9.4)	13.8
12 mos.	5.4		2.2	(.2)	6.5	13.5		10.0	1.8		9.0	5.5	(4.4)	4.8		4.0	19.2		7.0	12.3	2.3	.6	12.9
Room Sales Per Occupied Room																							
January	14.2		14.4	14.1	11.3	17.2		16.4	11.6		15.0	13.2	13.3	14.4		14.3	13.7		17.4	12.7	11.5	10.6	16.6
February	15.6		17.0	13.7	16.4	16.1		17.1	13.8		14.4	16.7	15.9	19.6		15.5	16.0		17.9	12.6	13.2	13.9	18.7
March	19.6		16.2	15.5	25.3	20.3		21.8	16.6		21.2	15.8	15.8	21.5		18.8	25.9		18.9	16.2	15.3	20.8	24.6
April	16.2		18.6	16.9	13.9	16.0		16.7	15.2		13.7	18.4	16.2	22.4		15.9	19.1		19.4	16.8	11.9	14.3	14.7
May	16.4		15.4	16.8	16.7	15.4		16.6	15.1		16.1	13.3	16.4	20.4		16.8	13.7		16.4	14.6	16.0	15.9	18.6
June	17.3		15.9	15.7	18.4	16.6		17.2	16.1		17.0	15.8	15.7	20.4		17.3	16.6		19.6	12.7	15.6	16.0	19.5
July	15.7		12.7	13.6	17.4	16.1		17.5	13.3		16.2	11.7	13.2	20.5		16.0	13.1		14.8	11.1	13.1	17.0	19.1
August	15.7		14.1	15.1	16.7	15.4		17.6	13.8		16.1	12.3	14.0	20.8		15.8	13.9		14.5	15.1	14.4	17.1	16.3
September	17.2		16.0	17.4	17.7	17.1		17.5	16.2		17.2	13.4	17.5	22.4		17.7	12.2		18.4	16.2	14.4	17.6	18.6
October	18.5		16.1	18.8	19.1	16.2		18.2	17.5		18.7	14.2	17.3	23.0		18.8	16.0		19.3	17.8	19.9	17.6	18.0
November	17.0		15.2	17.2	18.9	15.4		16.9	16.2		17.3	13.1	16.2	21.0		17.0	18.3		16.9	15.0	17.8	15.0	19.2
December	16.0		14.1	17.1	17.3	14.8		16.0	16.0		15.7	17.1	13.3	21.1		15.9	19.1		17.0	17.2	17.5	10.2	18.2
12 mos.	1[illegible]		15.9	15.6	16.1	14.9		16.6	14.4		16.1	14.4	15.3	18.2		16.2	12.8		16.5	13.4	14.6	14.4	18.9

Occupancy Percentage
The Months of 1979

		Size				Type		Location				Affiliation		Area				
	Total U.S.A.	Under 150 Rooms	150-299 Rooms	300-600 Rooms	Over 600 Rooms	Hotel	Motor Hotel	Center City	Suburban	Highway	Airport	Chain	Independent	Northeast	Southeast	North Central	South Central	West
January	63.0	66.4	63.1	65.5	59.6	60.8	65.5	60.6	59.7	65.4	75.5	63.7	59.5	64.5	56.4	56.6	66.2	71.3
February	69.0	71.4	64.7	74.1	68.5	69.9	68.1	66.8	66.2	72.4	78.0	69.7	64.8	71.0	69.6	57.2	72.3	79.4
March	74.1	76.1	74.5	76.1	71.1	73.5	74.7	72.5	70.0	77.1	82.0	74.6	70.8	72.9	75.4	65.7	76.6	81.9
April	74.3	76.1	73.1	77.0	72.5	73.8	74.8	73.5	72.2	75.7	78.3	75.1	68.8	76.1	81.2	66.1	73.8	79.6
May	76.3	74.3	74.6	77.1	79.0	78.6	74.3	77.3	73.9	75.2	77.4	76.2	76.4	79.6	79.5	75.4	71.5	79.3
June	76.3	77.1	75.8	77.1	75.4	76.9	75.8	75.5	74.6	77.5	79.4	76.3	76.0	79.6	77.3	76.2	70.5	81.5
July	72.7	74.5	72.4	73.4	71.2	71.8	73.4	72.0	71.8	73.8	74.9	73.1	69.7	69.7	71.6	71.2	70.0	82.1
August	78.0	79.5	78.4	79.6	73.8	76.9	78.7	76.4	80.4	78.2	80.0	78.7	72.5	77.2	79.5	79.1	72.4	84.7
September	73.5	72.8	72.8	73.7	75.0	76.4	71.3	73.0	73.5	73.6	75.4	73.7	71.6	79.9	77.1	73.1	65.1	78.0
October	80.0	76.2	77.8	83.6	81.9	83.6	77.1	81.2	77.9	78.1	81.8	80.0	80.2	84.1	82.4	76.6	76.8	83.9
November	67.4	68.9	64.8	70.0	68.3	70.8	65.0	69.3	60.8	69.0	67.5	68.3	60.4	71.6	69.2	61.7	63.8	75.3
December	51.9	57.7	48.9	53.8	51.5	55.3	49.5	52.6	46.7	55.2	52.0	52.9	42.6	57.1	51.9	44.0	46.8	64.3
12 Months	71.1	75.0	70.0	73.7	67.8	72.2	70.3	70.3	69.4	73.3	73.1	71.5	67.4	71.8	70.7	68.4	68.4	79.4

Double Occupancy Percentage
The Months of 1979

		Size				Type		Location				Affiliation		Area				
	Total U.S.A.	Under 150 Rooms	150-299 Rooms	300-600 Rooms	Over 600 Rooms	Hotel	Motor Hotel	Center City	Suburban	Highway	Airport	Chain	Independent	Northeast	Southeast	North Central	South Central	West
January	39.7	46.7	42.0	32.7	29.4	35.2	41.0	42.7	37.8	37.9	50.1	40.6	34.9	43.8	38.8	42.4	36.8	48.4
February	34.5	38.6	35.0	31.8	34.3	34.1	35.0	36.7	32.6	36.6	22.6	34.0	37.3	26.2	39.1	31.5	33.7	42.0
March	35.9	39.5	39.0	28.6	34.8	33.7	37.9	37.5	34.9	39.6	25.3	34.9	41.7	24.0	38.5	32.8	35.1	45.1
April	40.4	42.2	41.8	37.4	39.8	40.0	40.6	45.0	39.0	40.6	25.7	39.7	44.4	31.3	53.0	31.7	38.8	47.6
May	39.2	40.4	36.5	35.7	44.4	39.8	38.6	40.9	42.8	43.1	20.5	39.2	39.3	24.6	55.5	34.3	37.2	45.6
June	42.0	49.5	45.3	35.6	38.4	38.9	44.0	45.1	44.8	45.5	25.1	41.6	44.7	26.5	51.8	36.9	40.9	52.0
July	48.7	54.3	48.1	41.8	53.6	49.3	48.3	54.5	54.1	45.2	27.6	47.9	52.9	31.6	56.5	39.1	48.6	60.1
August	49.1	54.1	48.5	41.5	57.4	47.7	49.9	56.2	52.3	46.9	25.0	49.2	48.5	30.5	55.4	42.8	44.2	64.4
September	37.4	39.4	38.5	26.4	43.5	34.9	38.8	42.0	41.1	36.5	21.1	37.1	39.5	26.5	41.4	34.1	36.0	48.8
October	37.0	42.8	36.5	27.3	42.4	38.9	35.7	39.2	39.9	37.2	22.8	36.1	41.4	26.0	43.4	31.8	38.7	42.1
November	36.3	41.9	34.9	28.9	40.1	35.7	36.7	39.1	35.5	37.9	23.8	36.2	36.9	23.0	37.2	30.2	38.6	47.9
December	35.2	43.1	33.7	24.6	38.4	33.0	36.0	33.2	37.2	40.2	22.1	34.1	42.7	24.2	38.4	28.0	39.6	41.4
12 Months	37.8	44.6	37.2	26.3	42.2	34.6	39.0	40.0	40.0	39.5	23.3	36.8	43.1	23.9	48.2	31.7	39.0	49.9

Percentages of Occupancy

60-Year Summary 1920–1979

Year	Total U.S.A.
1920	85
21	79
22	75
23	75
24	70
25	69
26	71
27	69
28	68
29	70
30	65
31	59
32	51
33	51
34	56
35	60
36	65
37	66
38	61
39	62
40	64
41	67
42	73
43	84
44	87
45	91
46	93
47	90
48	86
49	82
50	81
51	77
52	76
53	74
54	72
55	72
56	72
57	70
58	67
59	66
60	65
61	62
62	61
63	60
64	61
65	62
66	62
67	61
68	61
69	59
70	55
71	54
72	62
73	66*
74	65
75	62
76	66*
77	68
78	72*
79	71

Note: Prior to October 1927, no systematic monthly study was made of the trend of business in hotels. The only figures available are those compiled by Horwath & Horwath in 1928, covering the years 1920 to 1926, inclusive. They were based on the records of a relatively few hotels that did, however, include two of the largest chains of hotels existing at that time.

*Restated to reflect changes in composition of sample.

Trend of Business in the Lodging Industry—1951–1979

Annual Summary Expressed in Index Numbers

1951 = 100

Total U.S.A.

Year	Total Sales	Room Sales	Restaurant Sales	Food Sales	Beverage Sales	Room Sales Per Occupied Room
1951	100	100	100	100	100	100
52	105	105	105	105	105	106
53	107	107	107	107	105	111
54	106	107	106	107	102	114
55	109	111	109	110	104	119
56	113	115	112	113	107	124
57	115	118	114	114	109	131
58	113	117	112	112	107	135
59	116	121	115	115	110	140
60	116	122	115	115	110	144
61	113	118	112	112	108	145
62	112	117	112	112	107	146
63	109	115	109	109	105	146
64	112	118	111	110	107	149
65	115	123	112	112	109	152
66	120	129	115	116	112	157
67	122	134	115	116	114	166
68	127	143	117	117	117	178
69	133	152	119	119	122	194
70	130	150	114	115	117	208
71	130	151	114	114	118	212
72	138	162	121	122	124	218
73	148	173	128	131	130	229
74	157	183	134	139	137	247
75	162	194	135	140	137	272
76	180	219	146	153	142	294
77	200	247	158	165	155	320
78	231	291	178	186	173	363
79	258	332	191	201	182	421

Bases and Significance of Hotel Statistics

Chapter 28 of HOTEL ACCOUNTING, by Horwath, Toth and Lesure, reprinted here with some minor changes by permission of the publisher, The Ronald Press Division of John Wiley & Sons.

The *Uniform System of Accounts for Hotels* is the generally accepted financial manual of the hotel industry in the United States. Operating statistics of all kinds are available from year to year, prepared from financial statements arranged in accordance with that system.

In using the available revenue and expense ratios for comparison with those of a given hotel, it must be kept in mind that standard ratios are established on the basis of annual financial statements, covering all seasons of the year, and that normally the revenue and expenses of most hotels show marked seasonal variations. It follows that any comparison of the operating ratios of a hotel for part of a year with established typical operating ratios may be not only without significance, but actually misleading.

Bases of operating ratios

Most operating ratios of hotels may be expressed in three different ways: (1) ratio to room sales, (2) ratio to total sales, and (3) cost per available room.

Extensive studies made over a period of years have proved that, with the exception of direct operating costs of the restaurant and those of minor revenue-producing departments, the operating expenses of hotels are governed largely by three factors: (1) the size of the hotel (number of available rooms), (2) the class of the hotel (the average room rate), and (3) the proportion of rooms occupied (ratio of occupancy). The combination of these three factors is the amount of the room sales. It logically follows that the best measure of most of a hotel's operating expenses lies in their ratios to room sales. To be sure, expenses do not vary exactly in proportion to the variation in the three basic factors (number of rooms, average room rate and occupancy), so that even the ratio to room sales is not a perfect measure of operating expenses. It is, however, without a doubt, the best of all available measures.

While the ratio of an expense to total sales is sometimes used, generally such a ratio is not of very great significance in a hotel. Two hotels of the same size may have similar ratios to room sales, but the ratios to total sales may be very much lower for one of them because it does twice as much restaurant business as the other. True, the amount of restaurant business has some effect on such expenses as property operation, maintenance and energy costs, but the effect is relatively slight. Therefore, the only significance in expense ratios to total sales is that in some cases they explain variations from normal ratios to room sales. For example, if the ratio of administrative and general expenses to room sales is above normal, but the ratio to total sales is below normal, the logical conclusion is that the first ratio is high because there is an unusually large volume of sales in the restaurant or in some other department.

Some hotel men prefer to express operating costs on the "per room" basis. This is quite a good measure for certain operating costs when comparison is made with other hotels of about the same class. Obviously, the cost per room in a hotel with an average rate of ten dollars is entirely useless in a study of the operating costs of a hotel with an average room rate twice as high.

A few words about the three principal factors that determine the operating cost of a hotel will help the reader to understand their significance.

Number of rooms

The number of rooms used as the measure of the size of the hotel is the number of available rooms, that is, those that can be rented to paying guests. In addition to these rooms, every hotel has others used for various purposes: for the living quarters of the manager, for offices, and often for storerooms. Sometimes, particularly when demand for rooms is low because of an economic recession, or during extended seasonal declines, employees may be encouraged to occupy rooms in the hotel in lieu of salary increases. During peak demand periods, of course, the reverse would be true. Also, some hotels still retain the practice of closing sections or floors in the building during slow periods. Thus, the number of available rooms is not a figure that remains unchanged from year to year, although usually it moves within narrow limits.

Average room rate

As to the average room rate, it should be understood that most hotels have a fairly wide range of room prices and that, as a rule, the low-priced rooms are the most popular. Consequently, when the room occupancy is low, the average room rate is also low, because most of the occupied rooms are in the lower-priced groups. As the occupancy improves, a larger proportion of the high-priced rooms are occupied and naturally the average room rate goes up. Furthermore, because it is customary to make an additional charge for a second person in a room, the average room rate is affected also by the ratio of double occupancy. It is clear, therefore, that the average room rate may show substantial variation from time to time without any change in the rate schedule, but merely as a result of the fluctuations in occupancy and double occupancy.

The question of whether the management is obtaining an average rate commensurate with the accommodations offered can be answered by a study of what competing establishments have to offer and the rates they

are obtaining. But this is not the only check of the average rate that one can make, particularly in the case of a transient hotel.

The greater part of the cost of the principal commodity the hotel has for sale, the cost of the hotel room, is determined at the time the hotel is built. The more costly the building, the higher are depreciation charges, real estate taxes, and interest charges, which the hotel must earn to provide a fair return on both the borrowed money and equity capital. Furthermore, a more expensive building usually means more spacious rooms, corridors, and public spaces which again mean higher property operation, maintenance and energy costs. If the cost of the building determines largely the cost of providing a hotel room for the prospective guest, there ought to be some direct relationship between the cost of the building and the price [illegible] the hotel must obtain for its guest [illegible], and there is a definite relation[illegible]

Ratio of room occupancy

In most transient hotels, the ratio of room occupancy, even for a week, is an average of widely fluctuating daily ratios. In cities that do not have special attractions to hold visitors over weekends, transient hotels have high occupancies during the first four weekdays, and then a sharp drop in occupancy on Friday, Saturday and Sunday. These fluctuations are well illustrated by the following average occupancies for various days of the week in a typical transient hotel in a city with a population of about 300,000 and no special attractions for weekenders:

	Percent of Average Occupancy	
	Today	1945
Mondays	78%	93%
Tuesdays	88	97
Wednesdays	90	97
Thursdays	74	97
Fridays	42	79
Saturdays	41	81
Sundays	44	73
Average for year	65%	88%

Even if the occupancy for nearly all Tuesdays, Wednesdays and Thursdays is 100 percent, the average is brought down on holiday weeks. For example, in a hotel having an average occupancy of 75 percent for the year, the occupancy on Christmas Day may be less than 20 percent. These fluctuations make it practically impossible for the average transient hotel to reach an annual occupancy of even 90 percent without turning away many potential guests on most days of the week.

The ratio of double occupancy indicates what proportion of the rented rooms are occupied by two persons. To illustrate, if in a hotel of 100 available rooms, 75 rooms are occupied by 90 guests, it is said that the occupancy is 75 percent and the double occupancy 20 percent, because 15 rooms (90 percent minus 75) are occupied by two persons each, and 15 is, of course, 20 percent of 75. In our largest cities, the double occupancy in many transient hotels exceeded 50 percent during the World War II years, but normally it is about 30 percent. In the smaller cities, the normal double occupancy seldom exceeds 25 percent, unless the hotel is doing a good tourist business.

Yardsticks for measuring operating results

In comparing the financial results of the operations of one hotel with those of others, several factors must be kept in mind. The first of these is that although hotels may be intended to provide services for transients, they are a form of real estate development and subject to all of the vagaries that influence the market for real property. Constructed at high cost during boom periods, with extensive use of borrowed capital to provide financial leverage, many hotels have changed hands at distressed prices in recent years, while others have been reorganized so that the current capital structure bears little relationship to the original. Any or all of the assets that make up a hotel development can be, and frequently are, leased and that form of financing does not appear on the balance sheets. A comparison of income after interest charges would be of little value to the hotel operator.

A second factor that must be considered is the propensity of hotel owners to turn the operation of the property over to professional operators. They may or may not provide security in the form of furnishing the property, so that depreciation of furniture and equipment may or may not be a deductible expense. In addition, the useful life for computing depreciation on the building is affected by the type of construction and the location, and may vary from 25 to 40 years. Consequently, even the depreciation charges of hotels of the same size and class are not necessarily comparable, which means that the results of hotel operations should be compared before deduction of depreciation if one is to arrive at any reliable conclusions.

Further, the extent to which real estate taxes on the hotel property may be a factor can vary considerably. Many hotels are leased and the property taxes may or may not be paid by the tenant. Also, the basis upon which taxes are assessed, and whether or not personal property (furniture and fixtures) is included, will vary by municipality. In short, comparison of hotel operations is usually confined to the revenue and expenses derived from the operation without consideration of the fixed charges, rent, property taxes, insurance, interest and depreciation.

House income

The term "house income," although no longer defined by the *Uniform System of Accounts for Hotels*, is still used and remains a convenient title for the most common base for measuring operating efficiency – "Income Before Fixed Charges." It is the income from all hotel operations before deduction of real estate taxes, fire and other property insurance, interest, depreciation and income taxes.

The ratios of house income to room sales and to total sales have for many

years been used as yardsticks for measuring operating results. Since the extent to which the income is earned from the sale of rooms, which produce a relatively high departmental result, or the sale of food and beverages, which is less profitable, will have a bearing on the size of the computed ratios of house income to sales, both measurements, as well as others are normally used.

Number of times average rate was earned

It should be obvious that, everything else being equal, a larger hotel should earn more than a smaller one. Therefore, in comparing the operating results of hotels of different sizes, the number of available rooms must be taken into account; that is, instead of comparing the total earnings of various hotels, the basis of comparison should be the average earnings per available room. But it should be obvious also that, everything else being equal, a hotel with high room rates should earn more than one with low rates. Consequently, the earnings per available room should be judged in relation to the average room rate. This reasoning led to the application of a new basis for comparing operating results: the number of times the average room rate goes into the earnings per available room. The following examples illustrate the practical application of this basis of comparison:

	Hotel A	Hotel B	Hotel C
Number of available rooms	200	300	400
Average room rate	$18	$28	$23
House income	$450,000	$768,000	$976,000
House income per available room	$2,250	$2,560	$2,440
Number of times average room rate was earned	125	91	106

On the basis of the amount earned per available room, Hotel B would seem to have the best record. But when the operating income is examined in relation to the average rate, which roughly indicates the class of the hotel and the relative value of the investment in the property, it will be evident that Hotel B did not do so well as either A or C.

It may be asked whether a hotel could not show relatively better earnings on this basis by reducing its room rates. The answer is no. Operating expenses depend on the size and character of the hotel, and they change little whether that hotel charges $15 or $20 for its rooms. Consequently, if a hotel that should have an average rate of $20 reduces the average to $15, practically all the difference comes out of the operating income. The result is that the hotel cannot produce good earnings on any comparative basis, as experience shows that increase in occupancy resulting from rate reduction very seldom can compensate for the loss in operating income caused by the lowering of rates.

Earnings in relation to investment

It has been pointed out that as a result of sales at distressed prices and financial reorganization, many hotel properties have been written down, some as little as 10 per cent and some by as much as 50 per cent. As a consequence, the relationships between the owners' investments and the original cost or even the depreciated replacement value of the building and equipment is frequently distorted. Thus, the common measurements of return on investment, for example, return on total assets or return on equity, may have little meaning. However, the return on invested capital, which is the ratio of net income after income tax, but before interest to the total of interest-bearing debt and equity, will produce a useful measurement of the extent to which management has used the resources to produce adequate revenue and has operated efficiently.

Restaurant ratios

In making a comparison of the restaurant ratios of a particular hotel with the medians for any group, proper consideration should be given to the proportion of the beverage business included in the total restaurant sales. Beverage sales are generally much more profitable than food sales, and therefore the higher the proportion of beverage sales, the higher should be the departmental income of the restaurant.

The restaurant income should be examined in relation also to the room sales. The location of one hotel may be such that a large volume of business cannot be attracted without high expenses for music and entertainment. Although such expenses may bring down the ratio of income in the restaurant, the net result in relation to the size and class of the hotel—that is, in relation to the room sales—may be very much better than if the hotel were satisfied with low volume and a higher ratio of departmental income.

The operating ratios of hotel restaurants are not comparable with those of restaurants operated as separate and independent business enterprises. Overhead expenses are not apportioned in hotel statements, and any comparison with the results of independent restaurants would be rather difficult. But even if this difficulty should be overcome, the fact remains that the independent restaurant is operated purely for profit on food sales or on food and beverage sales, while the hotel restaurant is operated for the double purpose of profit on food and beverages and service to room guests. If an independent restaurant finds that it is not profitable to open for breakfast, it remains closed; if it finds that it is not profitable to keep open after 8 P.M., it closes at that time. But the hours of a hotel restaurant must be governed by the demands for service of the room guests, within reason. Furthermore, an independent restaurant is usually of one class and it serves meals in a compact room from a conveniently located kitchen, while a hotel obtains the same volume of business often from a dining room, a coffee shop or specialty room, a number of private dining rooms, and from room service. This necessitates serving meals sometimes nearly a city block away and 10 or 15 floors above the kitchen where the food is prepared.

Small hotels and large hotels

The ratio of some operating expenses are generally higher in hotels of more than 300 rooms than in smaller hotels. This is particularly true of the ratios of payroll, marketing and property operation. Actually, the size has very little to do with this difference, the explanation being that the larger hotels are located in larger cities where wage rates and many other expenses are higher than in smaller places.It will be found that for a hotel of 300 or 400 rooms, located in one of our largest cities, the operating ratios will be nearer those of the hotels of more than 600 rooms than those of the smaller hotels.

As regards the cost of advertising, it should be borne in mind that the large hotel obtains a sufficient amount of business from a dozen or more cities to make direct advertising in those cities a profitable investment. This is not a case with a small hotel. Consequently, it will be found that large hotels generally spend much more for advertising than the smaller ones, even in proportion to their sales.

Repairs, maintenance and replacements

The expense deductions of a hotel do not include expenditures for replacements of furniture, carpets and other movable equipment, but the cost of the replacements of china, glassware, silverware, linen and kitchen utensils is included in the ordinary operating expenses of the various departments. The cost of property operation and maintenance includes only the expenses in connection with keeping the building and furniture and equipment in good repair.

In analyzing the operating statements of a hotel, particular attention should be paid to the annual expenditures for repairs and maintenance. Repairs and maintenance are like taxes: if they are not paid this year, they will have to be paid with penalty next year or the year after. However, it is not to be assumed in every case that if a hotel has been spending less for repairs and maintenance than other hotels of its size, the physical condition of the property has been neglected, because it must be remembered that all managements do not get the same amount of repair and maintenance work out of a dollar. One hotel manager, by judicious planning of the maintenance work and by taking care of all repair jobs at the proper time, may be able to keep his house in good repair at 15 or 20 per cent less than the average expenditure. The question of whether a sufficient amount has been spent for repairs and maintenance can be decided only by a thorough examination of the physical condition of the property.

Means and medians

Available hotel operating statistics are expressed as means or medians. The arithmetic mean is arrived at on the basis of totals. The "median" is the middle figure in a column of figures arranged according to size. The following example illustrates the difference between the two:

	Sales	Payroll Amount	Payroll Percentage of Sales
	$ 60,000	$18,000	30
	13,000	2,860	22
	11,000	2,310	21
	9,000	1,800	20
	7,000	1,330	19
Total	$100,000	$26,300	
Mean			26.3
Median			21.0

It can be seen how the inclusion of a large unit with an unusually high ratio may bring about a mean that is not nearly so typical or representative of the group as is the median. This is particularly true of a small group. The median indicates, in any instance, a definite middle point; half of the units in the group are below it, while the other half are above it.

Balance sheet ratios

The house banks are the cash funds the hotel has to carry to make change, cash checks and make petty cash disbursements. The smaller transient hotels and residential hotels usually have to have on hand house banks equaling about one-third of 1 per cent of the total annual sales—large transient hotels somewhat more.

Large transient hotels, as a rule, carry also a greater part of their sales in accounts receivable than hotels of other types. The typical ratio of accounts receivable (net) to annual sales is well over 5 per cent for large transient hotels and about 3.0–3.5 per cent for the smaller transients and for residentials.

The food inventory turnover depends largely on the proximity of markets. The beverage inventory turnover depends on the class of business, that is, on the number of brands the hotel carries, particularly wines. The normal annual turnover is 20 to 40 times for food inventories and 4 to 12 times for beverage inventories.

As to the current position, two important facts should be noted. The first of these is that the value of its guest rooms, the most important "merchandise" the hotel is selling, is not included among the current assets. The other is that, normally, the total amount of accounts receivable and inventories of a hotel is considerably less than its current liabilities and, therefore, a current ratio of two to one would mean that the hotel has more cash than it needs for the liquidation of all its liabilities except the mortgage debt.

The relation of room rate to the investment in building and furniture and equipment cost per room has been pointed out. However, many persons enter the lodging industry unaware of the severe restrictions placed upon return on investment by the capital-intensive nature of the service industries. The following brief example illustrates this point:

	Amount per Guest Room
Investment (including land, building, furniture and equipment, and preopening expenses)	$30,000
Revenue produced at 70% occupancy	$13,500
Net income, after taxes, before interest (10.0%)	$1,350
Return on investment	4.5%

The illustration is not intentionally bleak; both the percentage of occupancy and the net income ratio are better than average. If the occupancy were to increase to 75 per cent, the return would go up less than 10 per cent.

The trend toward increasing capital requirements with a decline in return on investment has led to new concepts in hotel management. There have been some technological developments that have helped to offset the rising costs of doing business, but the relationships between the cost of the sales-producing unit and the potential revenue that it will generate has not improved. More and more, hotels are being looked at in terms of the total return, that is, the potential for earnings based upon a relatively short income-producing life and a sale or sale and leaseback to recover the initial investment. ■

Explanation of Terms

Administrative and general expenses

Payroll – Salaries of managing director, manager, executive assistant manager (not on floor duty); their secretaries, and other clerks in managers' offices; accounting office; front office bookkeepers, bill clerks, cashiers, night auditors; credit department; receiving clerks; employment and personnel managers.

Average room rate

Room sales from all sources, including public rooms net of all allowances divided by the total number of rooms occupied during the year. In the monthly *National Trend of Business in the Lodging Industry* we refer to the Average Room Rate as Room Sales per Occupied Room.

Cash payroll

Entire cash payroll of hotel including house laundry and print shop.

Current position

Prepaid expenses are included in current assets and current mortgage payment installments are excluded from current liabilities.

Energy costs

Cost of electrical current, fuel, steam and water net of sales of energy to stores and others.

Income before fixed charges

For purposes of this study, income before fixed charges is defined as the total of rooms department income, food and beverage department income, minor operated department income, store rentals and other income, less all undistributed expenses.

Income from minor operated departments

Income from guest laundry, valet, cigar-newsstand, barber shop, and other service departments operated by the hotel less merchandise costs, payroll and related expenses, and other expenses directly chargeable to any of these operations.

Inventory turnover

Gross cost before deducting employees' meals divided by the average of the opening and ending inventories.

Marketing

Payroll and related expenses for sales, advertising and publicity managers, their secretaries and clerks. Also, expenses such as printing, stationery, artwork, layouts, literature, house organ, postage, traveling expenses, entertaining, etc.; space in newspapers and magazines; broadcasting; billboards and car cards.

Median—lower quartile—upper quartile

In a column arranged in regular sequence from high to low, or vice versa, the median is the middle figure. This means, of course, in the case of operating results that half the hotels represented had better results than the median and the other half poorer results.

The lower quartile is the dividing point between the lowest quarter and the upper three-quarters of the group. The upper quartile is the dividing point between the highest quarter and the lower three-quarters of the group. Thus, the lower quartile, median and upper quartile divide a series of figures into four equal parts. The results of the middle half of the hotels fall between the lower and upper quartiles.

Property operation and maintenance

Payroll and related expenses for carpenters, upholsterers, carpet men, masons, electricians, machinists, locksmiths, elevator mechanics, painters, paperhangers and similar maintenance employees; the chief and assistant engineers; boilermen; firemen; ice pullers; incinerator men; storekeepers and clerks in engineer's office and stores. Also, expenses such as uniforms; cost of supplies and outside contracts for painting, repairing of furniture, springs, mattresses and pillows, floor coverings, curtains, draperies and scarves, shades, screens and awnings, electrical and mechanical equipment, elevators and building; other maintenance work and all similar supplies and expenses associated with providing the hotel with heat, light, power and water.

Rentals and other income

Rental income from stores, offices, clubs and other spaces not classified as concessions used for business purposes. Also includes revenue from concessions, income from vending machine operations, commissions (including pay stations) and interest earned.

Restaurant

Cost (Food) – Cost of food sold, before and after deduction of the cost of employees' meals.

Cost (Beverages) – Cost of beverages sold, after deduction of the cost of employees' beverages.

Payroll – Stewards, chefs, cooks, waiters, waitresses and bus boys, dishwashers, butchers, vegetable cleaners, bakers, pantry help, etc.; wine stewards and bartenders; stock clerks, storekeepers, cost clerks, checkers, cashiers.

Income, Departmental – Total restaurant sales and other restaurant income less total cost of food and beverages consumed, payroll and related expenses, and other direct restaurant expenses.

Sales, Total Restaurant (Food and Beverages) – Gross sales of food and beverages, less allowances. Cover charges and other miscellaneous restaurant income are not included.

Rooms

Payroll – Assistant manager, front office clerks, not including bookkeepers, cashiers and bill clerks; housekeeper and assistants; linen room; maids; housemen; bellmen; elevator operators; floor clerks; pages; doormen; house officers and watchmen.

Income, Departmental – Room sales, less rooms payroll and related expenses and other direct room expenses.

Sales – Total rent income from guest and non-banquet public rooms, less allowances, not including office rentals, etc.

Sales, total

All sales and income, less allowances and cover charges.

Taxes

In calculating Number of Times Taxes Were Earned, taxes include all municipal taxes, such as real estate, personal property, sewer and utility. All payroll taxes are charged to the various departments.

Telephone

Income or Loss, Departmental – Telephone sales, less cost of telephone service, telephone payroll and related expenses, and other direct telephone expense.

Sales – Gross revenue from use of telephone facilities by guests, less allowances. Includes service charges and pay station commissions.

Further explanation may be found in *Uniform System of Accounts for Hotels*. ■

Analyze Your Operation

Periodic analysis of the financial performance of your lodging establishment may provide early warning signs of potential problems. Examination on a regular basis could reveal undesirable trends and provide the opportunity for corrective action. The worksheet on the next page is designed to provide a quick analysis of key items to reveal problem areas.

Follow these simple instructions for completing the worksheet:

1. Enter your figures in the first column.
2. Select the appropriate medians for comparison from the tables or text.
3. If the variance is greater than plus or minus 10 percent, further analysis should be made to determine the reason for that variance.

Worksheet

Amount Per Available Room	Your Figures	Medians From Lodging Industry Report		
Sales				
Rooms	$			
Food	$			
Beverage	$			
Other Departments	$			
Total	$			
Payroll and Related Expenses	$			
Undistributed Expenses (excluding payroll)				
Administrative & General	$			
Marketing	$			
Energy Costs	$			
Property Operation & Maintenance	$			
Income Before Fixed Charges	$			
Fixed Charges	$			
Net Income Before Income Tax	$			

Supplemental Operating Information				
General Statistics				
Occupancy	%	%	%	%
Double Occupancy	%	%	%	%
Average Rate Per Occupied Room	$	$	$	$
Number of Times Rate was Earned (See page 95)	times	times	times	times
Income Before Fixed Charges				
Ratio to				
Room Sales	%	%	%	%
Total Sales	%	%	%	%
Cost of Food Sales (after credit for employee meals)	%	%	%	%
Cost of Beverage Sales	%	%	%	%
Productivity Index (sales divided by payroll and related expenses)				
Food and Beverage	times	times	times	times
Total	times	times	times	times
Balance Sheet Ratios				
Current Position	times	times	times	times
Accounts Receivable—Ratio to Total Sales	%	%	%	%
Inventory Turnover				
Food	times	times	times	times
Beverage	times	times	times	times
Return on Total Assets				
Turnover (sales divided by total assets)	times	times	times	times
Multiply by Earnings				
Ratio (net income to total sales)	x %	x %	x %	x %
Return on Total Assets	%	%	%	%

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